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The MAGAZINE of WALL STREET

EDITED BY

Richard D. Wyckoff

A Forecast of Weather Conditions
By H. Janvrin Browne

Rail Stock Financing Broadens Investors' Opportunities

What's Next for the Stock Market?

The Fate of the Franc

—As Seen By a Number of the Country's Leading Financial Experts

Is Our Banking System Becoming Defective?

By Louis T. McFadden

Chairman House Committee on Banking

Preferred Stocks With Back Dividends

Outlook for Automobile Accessories

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WITH THE EDITORS

What Is the Work of a Skilled Judge of Securities Worth to You?

THE analyst is busily engaged in decoding the message of the latest balance sheet of the X Company. Figure after figure is investigated. Somehow the story they tell does not jibe with the market action of the stock. Here is an issue selling at $40 a share, paying dividends of $4. These dividends have been paid for some years. Latest earnings figures indicate that the dividend is covered by a fair margin. Yet the stock has been a laggard. Its action spells that something is wrong. But the balance sheet shows little. On surface, conditions seem favorable.

Again the analyst turns to his figures. One "asset" now interests him greatly. This refers to the "accounts payable," an amount of about $1,500,000. The financial position of the company, which is a small one in the automobile field, evidently depends on whether this is a real asset or not. If the figure is accepted at face value, then the analyst must come to the conclusion that the stock is attractive since all the other factors seem favorable enough. His responsibility is great because on his conclusion will depend the advice given to a number of investors interested in the stock. Shall they hold or sell? That will depend on his recommendation.

But it seems, after the most careful checking, that the $1,500,000 item represented by "accounts payable" is in reality in the nature of a loan given by this company to a subsidiary, which has gone into the production of a new and untried car. Now, it is a question of this subsidiary's financial position. But further investigation shows that the experiment of producing the new car is likely to be a failure and that it is doubtful that the parent company, for years at least, will be able to recover the large sum which it loaned.

This then, the analyst reasons, explains the backward action of the stock. Evidently, interests close to the company understand the situation and its possibilities and are probably quietly liquidating their holdings. The analyst's findings are now passed on to the General Staff and, henceforth, until conditions shall definitely change for the better, the stock of the company is not recommended.

Every day, this process of research into the merits of securities goes on in these offices. Skilled analysts, experienced judges of security values, give their undivided attention to the task at hand, which is to give our readers their most mature and well reasoned conclusions on the market outlook for their securities.

Every subscriber and reader of this publication has a stake in our research work, for on it depends the value of the recommendations which they receive. But this is a very costly undertaking. Hundreds of thousands of dollars are spent yearly by THE MAGAZINE OF WALL STREET to equip and maintain a trained force of investigators and analysts. The entire product of this large yearly investment is yours, for the most nominal sum of the subscription fee. Through our large circulation, we are enabled to give a service worth many times what it costs you. Is it not to your interest as well as that of your friends or acquaintances, to whom the investment of their funds is a real problem, to bring this publication and the work that it is doing to their attention?

July 17 Issue *July 17 Issue*

Annual Public Utility Number

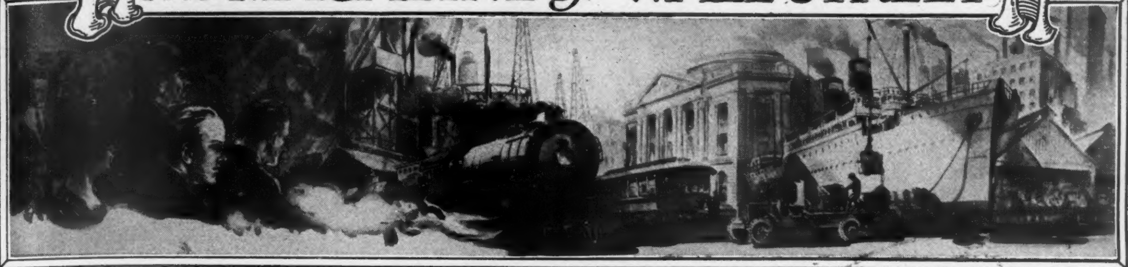
OUR public utility section, next issue, will contain a mine of information. Not only have the broad influences affecting the entire industry been described from all important angles, but the investment aspects have been analyzed in most complete fashion.

For the investor with surplus funds, especially those to whom it will be a problem to re-invest their mid-year funds, this next issue will be extremely useful. We have listed a large number of investment securities, some of which have possibilities for price enhancement as well as offering a satisfactory yield.

The difficult thing for investors to do these days is to secure sound issues which offer an adequate return. With many investment securities selling at prices where their yields are no longer satisfactory to the average investor, he is in danger of being driven to purchase the more speculative issues which offer high yields. It is for this reason that sound investment advice is more important today to the average investor than it ever has been. This public utility section has, therefore, been designed to meet the *current* needs of the investor. We feel that its great usefulness will become at once apparent.

In view of the limited number of copies which will be available, we suggest that you retain your copy for reference. You will find it useful not only at this time but for many months to come.

The MAGAZINE of WALL STREET



EDITOR
RICHARD D. WYCKOFF

MANAGING EDITOR
E. D. KING

INVESTMENT & BUSINESS TREND

Industrial Possibilities of the Newer Sections of the Country—Skillful Management—Earnings and Dividends—Position of Southwest Roads—Money Conditions—Market Prospect

WIDE-AWAKE business men are finding remarkable opportunities for expansion in the more recently developed sections of the country. California, Washington, Oregon, Florida, Texas, North Carolina, Georgia. Though the basic industry of all these states, old and new, still is agriculture they show a definite tendency to follow the example of the eastern and mid-western states which were also originally purely agricultural, but which have by now become mainly industrial.

Slowly agriculture in this country is giving way to industry. As the population grows in the more sparsely settled sections, new industries will arise. Eventually these territories, now turning to industry, may become just as thoroughly industrialized as the Eastern states.

The larger enterprises, railroads, public utilities, department stores, chain store systems, and mills of one sort or another, are anticipating the future growth of the country and are laying their plans accordingly. Though we may seem over-built in some instances as regarding present industrial requirements, it will not be long, perhaps another decade or two, before we find that the need for further equipment will again become acute. Looking at the situation from the broader viewpoint, we can easily visualize a nation of 150,000,000 people and more, many of whom will dwell in territories which are still a wilderness but which will become the center of thriving populations and prosperous industries still to be born. In view of this certain prospect, it is exceedingly difficult to become sceptical as to the ultimate position of the United States in world economics, even though we may seem to have expanded sufficiently for the present in the case of certain industries. In any event, the newer sections of the country should invite the attention of progressive business people, for they undoubtedly contain good possibilities not only for the longer range but the more immediate future.

DIVIDENDS

WITH the first six months of the year completed, it is clear, based on earnings results at hand thus far, that the general showing will be quite favorable, particularly as regards the railroads, public utilities, petroleum, metal, merchandising, steel, amusement, business equipment, electrical equipment and automobile industries. Automobile results, however, are likely to be quite mixed. Among the poorer earnings reports the following industries are likely to be conspicuous: food and packing, leather, sugar, shipping, railroad equipment, coal, tires, automobile accessories, textiles and shoes.

Dividend prospects in the first group are naturally more favorable than in the second. With the outlook, however, that 1927 will prove a period of recession in general trade, it is not likely that the number of dividend increases during the balance of this year will be as large as in 1925, though the list of increases will by no means be a short one. On the other hand, in the industries classified as

being in a poor position, there is little possibility of dividend increases but, more likely, a growing list of dividends to be cut or passed in entirety. The dividend situation, hence, during the balance of the year is likely to be quite mixed.

SKILLFUL MANAGEMENT

FROM the United States Steel Corporation and General Motors down to the less significant companies, the one prevailing characteristic these days is to conduct operations with an increasing degree of economy and efficiency. It is realized that in the present congested state of the markets, with an excessive productive capacity, the greatest volume of business will go to those who can sell at the lowest price. Generally, however, those who can sell at the lowest price are those whose costs are the lowest. Hence, the reason for the great efforts made in this country toward the most economical management. From the shareholder's viewpoint, this remains one of the most promising phases of the situation. The railroads are, perhaps, the most conspicuous examples of success along the lines of saving in costs of labor, fuel and materials. Were it not for their really stupendous economies, it is hardly likely, even with all the business they are carrying, that their earnings would turn out so handsomely.

SOUTHWESTERN ROADS

OWING to the unfortunate drought of last year, several of the Southwestern roads, particularly Union Pacific and Southern Pacific, operated under a handicap though their final earnings for the year were not unfavorable. This year, the crop outlook in the territory traversed by these roads is quite satisfactory and they should, consequently, turn in a much better earnings record. The same situation applies to other roads operating in the same general territory.

MONEY SITUATION

CALL money rates have dropped during recent intervals to as low as 3½%. Time loans are at 4-4¼% and commercial paper varies between 4 and 4½%. Except for call money, relaxation in the demand for credit has not yet had any further effect in reducing general money rates. Industrial activities in summer, which is seasonal, should, however, result in a slackening of demand for credit. Hence, during the period between July 1 and the end of August, when demand for credit incidental to crop-moving operations will expand it, it is likely that interest rates will decline to below present levels.

NEW FINANCING

AS a result of the better investment feeling imparted by the rise in securities and the abundance of capital waiting for investment, new financing has increased, as may be judged from the sharp jump in the volume of recent offerings. Municipals and public utilities are still the largest borrowers but industrial companies are also prominent. An interesting feature is the scarcity of new foreign issues. This is inevitable, however, in view of the recent unsettled tendency abroad. It is not likely that American investors would offer a good market just at this time for foreign issues, especially considering the rather lamentable record of these securities during the past few years.

FARM TROUBLES

THE real reason for discontent in the Western farming regions may be found in the fact that the price of farm products has again slipped to an unprofitable point. Prices of wholesale commodities and manufactured articles have likewise declined in the past few months but the decline in farm products has been far greater. The natural result is that the farmer is back to the old situation of several years ago where he is receiving less for what he is producing and paying more for the articles he requires. In 1924, just when affairs looked worst for the American farmer, a combination of world conditions pushed the price of wheat up at a time when his crop was very large. This fortunate coincidence was one of the great factors which brought about the ensuing prosperity. It looks again as if nothing short of a large crop in the United States and small crops throughout the world will again enable the American farmer to produce at a profit. It is for this reason that crop results this year will be awaited anxiously for they will have much to do with business conditions in the United States at the end of this year and the beginning of next.

MARKET PROSPECT

A DETAILED review of the present position and outlook for the stock market will be found on page 416.

The Fate of the Franc

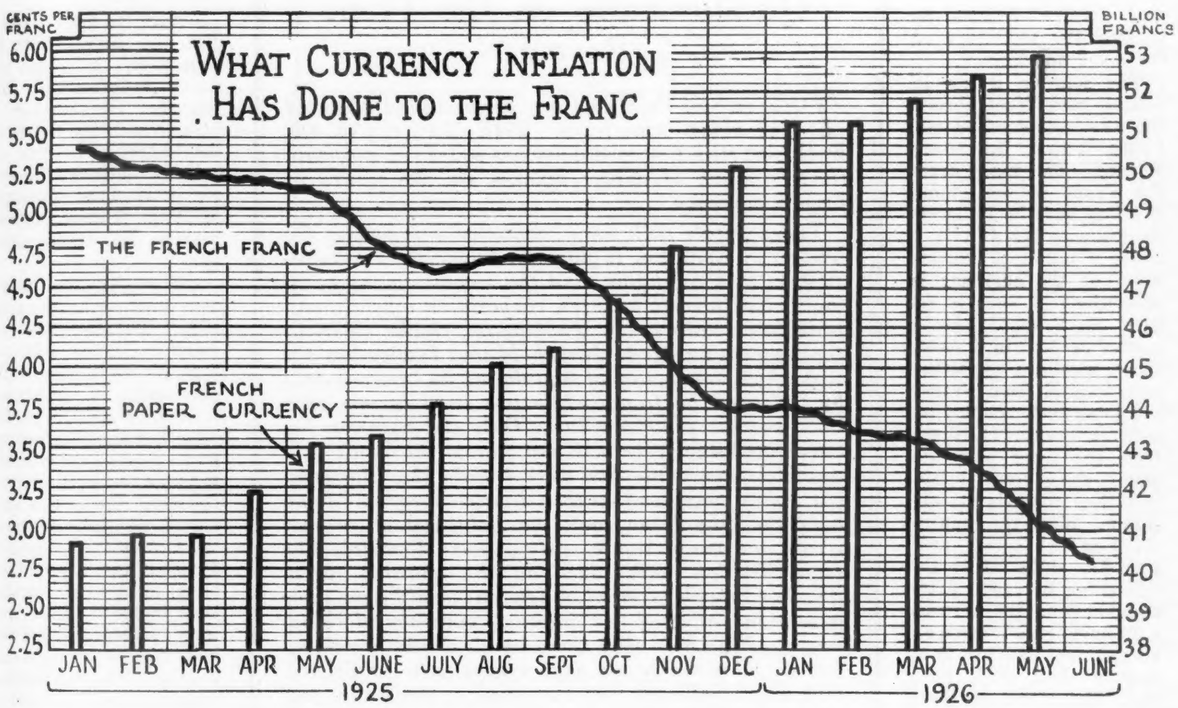
Will France Choose Inflation or Stabilization?

By GEORGE B. COLLINGWOOD

As Seen by Some of the Country's Leading Financiers and Business Men, With an Exclusive Statement by

GERRARD B. WINSTON

Undersecretary of the United States Treasury



AMERICANS are watching the second battle of the franc. The first in March 1924 was won by the Morgan loan, the second battle cannot evade the fundamentals any longer. From a parity of 19.2948 cents the franc has now reached a level of as low as 2.72, and, admittedly may see levels still lower.

There are two salient facts that lend an unusual interest to the crisis. First, the French are not a nation of repudiators. They are the bond-holding nation *par excellence*, and bondholders abhor defaulters. In Germany, after 1920 a fatalistic attitude was adopted towards inflation. It was not welcomed by the great mass of Germans, but it may have been welcomed by the Reichsbank and the Stinnes type. Nevertheless the great mass of Germans saw no other way out. In France, on the other hand, while a certain group profits by inflation, the great mass of Frenchmen are aroused and are looking hopefully towards practicable schemes for the rehabilitation or stabilization of the franc.

The second salient fact is that France is not a vanquished but a victorious nation. But a military conquest is not an economic conquest. Hence, France, the victorious, is also binding up her economic wounds. But whereas in the case of Germany, the world did not consider her plight so significant because of her military defeat, in the case of France a politically powerful community faces decay of its currency. Observers rightfully feel the plight of the victor to be more significant than the plight of the defeated.

Americans are vitally interested in this struggle as they have a four-fold relation with the French republic. The first is the colossal debt owed our government, about 6.8 billion dollars. The second is the half-billion or so owed by the French government to American investors on account of bond issues, either of the Republic or its sponsored securities. The third relationship is that of business houses and investors with individual French corporations and individuals. Such is the relation of our bankers with French investors, of American holders of French internal industrial securities, etc. The fourth and most important of all is our ordinary trade relations with France.

France is one of the four great commercial and industrial nations of the world. Exports and imports between us total near a half billion. She is one of our four large customers. Her buying capacity brings us 300 millions in annual business. The ramifications, are, however, much wider. Thus, French indebtedness to England affects British buying power, and so on. Our interest in the struggle passes 7.5 billions in principal of debt, and about 900 millions in annual amounts. We cannot afford to be indifferent. We need customers, and France is a great customer.

France apparently is a rich country. Property is more generally diffused there even than in the United States. The land is nearly self-supporting. Its people are intelligent and industrious. In all that goes to make up the refinements of civilization, it is the first of European peoples. Nor is this a sentimental consideration. A highly refined and artistic culture arises out of a high economic position. It is only after there is a surplus of wheat and iron, of coal and of crude trade, that there arises a surplus for laces, gloves, wines, fine jewelry, bronzes, perfumes, etc. With a wealthy land, an industrious and an intelligent people and a will to keep the currency at at least present

levels, why does the franc continue to decline?

These considerations do shed light on what is not the solution. It is not that the French ought to produce more, for their per capita production is high, and as high as world markets justify. There is no unemployment. Hence, there is not the acute social discontent that sometimes goes with currency crises.

The French do not need to be exhorted to save more. They are the one nation that saves as automatically as a spider weaves webs. True, the richer classes export capital, and the poorer classes hoard, but the saving goes on just the same. There is no riot of insane expenditure to get rid of money before it depreciates further such as marked the last days of the mark and kronen.

The solution is not in calling back from abroad the vast sums of money that have fled from France. The flight from the Franc to the Pound Sterling and the Dollar is consequence and not a cause of inflation. Restoration of the currency is antecedent to such a return to France. As a matter of fact, in a sense, those who are exporting their capital from France are doing their country an indirect service. The flight from the franc helps intensify the currency crisis, and thus compels stabilization. When the country will most sorely need funds, right after the tightening of credit after stabilization, the French will have real money abroad, and can use it to sustain their trade position. But of course, there is another segment to the circle. The flight from the franc, by diminishing the amount of funds that may be levied upon for taxation, renders far more difficult the possibility of a stabilization.

All the purely political solutions are futile. As M. Briand said in his bored yet witty manner, there is a union of all parties in Belgium and their currency declines. There is a man of decision in Italy and their currency would crash to the ground if not for their most wasteful methods of supporting the exchange market.

When it is said that purely political changes cannot affect an economic situation as to fundamentals, it is not meant that political considerations are not important. Such political considerations though, would arise out of the political power of a class that had an economic stake in the outcome of the battle for the franc. For example, holders of internal bonds might have enough votes to overcome any sound stabilization proposals. In such a case the political situation is a direct product of economic conditions.

What The Magazine of Wall Street's Questionnaire on the Franc Reveals

THE fate of the franc has pre-occupied many of the ablest Americans. THE MAGAZINE OF WALL STREET accordingly, has sought to ascertain the consensus of expert opinion on the future of French currency.

Two separate polls were conducted, one among the leaders of Congress, diplomacy, finance and administration in Washington, and the second among economists and private bankers, corporation officials, and prominent editors. In Washington, twelve clear-cut replies were received. Nine held that France has not embarked on a policy of liquidating its internal debt by inflating the franc, while two were certain that such was the present policy. Only six, however, believed that the franc will not follow the mark into worthlessness, while five were certain that the present policy must lead to this disastrous result. Nine held that the franc could be stabilized at present levels, one was a skeptic, and two were doubtful. The same division took place on the question as to whether French external obligations would have their quotations affected by internal currency developments. Nine held that these bonds would not be effected. Practically all were sympathetic to France, and many believed that the crisis is inevitable and not willed by the French.

The same view prevailed outside of Washington. A majority thought that the French had embarked on a policy of liquidating the internal debt by currency inflation. Several held that such was the effect but not originally the intention. With two exceptions it was felt that the franc would not follow the mark. One dissenter was Prof. Irving Fisher. Nevertheless he agreed with several others that the franc could be stabilized at a somewhat lower level than its present quotation. All observers held that it was possible for some measure of stabilization to be attempted. Bankers and economists were not quite so certain that external obligations would be unaffected by inflation. Some thought it would improve their status, most thought it would injure quotations, but few were sure.

All cheap and easy solutions, then, are ruled out. It is the 1926 French situation, and not any general considerations, that is significant. The solution must come in 1926. For if it does not, the decline of French exchange will carry with it Belgian and Italian exchanges, and the threefold salvaging may strain even American reconstructive capacity. It is this threefold menace that is important. American aid has stabilized German and Austrian exchange, has effected apparent stabilization in Hungary, and ineffective stabilization in Poland. But a hospital cannot have an unlimited capacity. Unless the franc is saved we shall be confronted by a European currency crisis that will dwarf that of the German mark.

Before we discuss remedies, the disease must be diagnosed. Why are the French inflating their currency? The answer is primarily in the failure of the budget to balance. It is incidentally for this reason that THE MAGAZINE OF WALL STREET has been bearish on francs since 1919.

On paper the budget does quite well. But actually it ignores several tremendous items. In the first place, it ignores the extraordinary expenses for reconstruction. It has been hoped that revenues for such expenditures would be derived from German reparations payments, and latterly out of the Dawes Plan surpluses. Hence these expenditures have not, until recently, been included in the ordinary budget. Nevertheless they have been disbursed. The hopeful feature is that the work of reconstruction is greatly advanced, and that the lesser part of these expenditures remains. For several years, though, it will constitute a great burden on the French Treasury, and that period is enough to bring about the crisis in the franc.

The second considerable omission is the non-refunding of the loans made to France by the United States and by Great Britain. Totaled, these obligations amount to about ten billions in dollars or about 350 billions in paper francs, at present rates of exchange. Naturally any refunding operations, whether British or American, would result in some sort of scaledown in these claims. Nevertheless on a minimum basis of 50 millions per annum, the charges omitted that must be faced will equal about 1.8 billion paper francs per annum. It is best, however, to disregard total debt figures. What interests France to-day is not her nominal debts to the U. S. A. and to Great Britain, but the burden of annual charges made in any debt settlement. Nominally France has about 3 billions in assets that she has loaned out to states such as Russia, Belgium,

Italy, etc., to act as an offset. Nominally she has an offset to the British debt, in a portion of her gold reserve, which is carried in London. What causes inflation is not grand totals but annual expenditures. It is the deficiency of revenues that is the principal symptom of her distress.

The most serious factor of French finance is the large amount of short-term floating indebtedness that must constantly be revolved. In 1925 M. Caillaux sought to eliminate this evil by a great refunding operation, in which an internal refunding would be carried out through new securities having a definite gold exchange value. This major operation did not succeed. On paper it was the best scheme that France had yet seen for eliminating these constant maturities that threaten the integrity of the budget.

It is obvious then that the French budget falls far short of balancing, that its great expenditures are augmented by the large floating debt, that this floating debt, or currency, or both, must be inflated to meet the requirements of the state, since revenues do not take care of these colossal state requirements, that there has been a large export of capital diminishing taxation capacity, and latterly that in fundamental economic structure, apart from finance, France is essentially sound. Is there then a way out?

Stabilization versus Inflation

Practically no person suggests that the franc be restored to its nominal gold parity. Such an operation would be productive of too much economic disturbance. There are really only two camps in France. There are those who favor stabilization at present levels or something above, and there are those who feel that irrespective of what may be done the franc must go far lower before anything can be done at all.

To understand the franc one must remember that its gold backing (reserves in France only) and the gold value of its silver backing are altogether about 1.44 cents per present franc issued, or about only one-half the present average price.

This gold reserve is not as significant as Americans might think. There comes a time when inflation currencies sink far below their nominal gold equivalent, since it is felt that the paper currency will ultimately become worthless and the gold reserve used to back up another currency. That the gold reserve is not so important is shown by the fact that as a market factor, sterling has less backing today than the franc, yet sells at par.

Practically all decisive schemes for stabilization call for the scaling down of the interest on the internal debt. If the coupon rate were cut in two the amount saved, about seven billions in paper francs, would greatly assist in balancing the budget. It would be far from a complete remedy, but it would slow up the inflation process so far that it might enable France to float an external loan at advantageous prices.

Contrary to the general belief of American investors, an internal debt repudiation often strengthens external bonds, by assisting the budget out of which provision for service on the external bonds must be met. Although a scale-down in interest is disguised repudiation, this does not always injure national credit. For example, Germany after what amounts to repudiation, finds that her 7% bonds are quoted higher in New York than French 7s. True they have the Dawes Plan backing, but even at that the French look upon such quotations with envy. The French could point out that once they had scaled down this internal debt interest they would not need a Dawes Plan guarantee as their chronic budget deficits would be reduced.

Superficially this scaling down proposal looks plausible. A second and more aggressive suggestion has been made by a great many expert investigators. They urge the repudiation of the internal debt. This undoubtedly would restore the budget to balance and at a blow would end currency inflation.

In order to avoid either partial or total repudiation of the internal debt Frenchmen have looked to two proposals. The first, popular with the conservatives, is increased taxation, and the second, popular with Radicals and Socialists, is the capital levy. The second proposal was bitterly disapproved of by M. Caillaux and broke the Radical ministry last year. Every month that passes adds to its impracticability, for as capital deserts France a really effective levy becomes impossible. A capital levy would destroy France as a great financial community, and would invite revolution.

There are left only two alternatives—internal debt repudiation or greatly increased taxation. It is now estimated that the French pay fully 25% of the national income into the Treasury of the Central Government. If the budget is to balance (assuming the American and British debts refunded along proposed lines) the population of France may have to pay as high as 40% of the national income into the Paris treasury. When it is remembered that a large part of the easily taxable capital is abroad, this means an increase of crushing taxa-

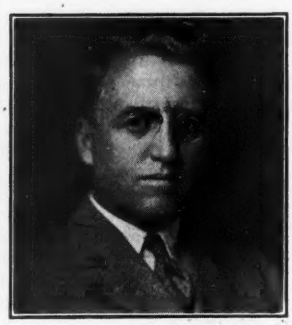
(Please turn to page 462)

A Hopeful View of the Franc

By GERRARD B. WINSTON

Undersecretary of the Treasury Department of the United States, who has recently returned from France where he informally consulted with French financiers and officials.

FRANCE has had a very intricate and stubborn fiscal and currency problem to deal with ever since the war. It is a complex of economic, political and "psychological" factors. I am frankly sympathetic with the French in their resolute struggle with various economic menaces, hot on the heels of an exhausting war for the very life of the nation. I do not care to answer questions about the stabilization of the franc, but I will say that I am very hopeful about the prospect for a relatively early solution of the whole French fiscal and currency riddle. Three things are necessary to the achievement of economic stability, viz., (1) a balanced budget; (2) determination of the extent of the government's external obligations; (3) stabilization of the currency. The budget is balanced; the extent of the official debt to the United States has been fixed, and the debt to England will soon be determined—so that we may say that France has attained two of the three essential elements of stability. A commission of experts is sedulously examining the whole subject of the stabilization of the franc and when it reports reasonably prompt action is indicated. In the meantime I think our people should be patiently sympathetic and not forget that the French people are bearing an enormous burden of taxation at the same time that they are suffering all the ills of a depreciated and unstable currency.

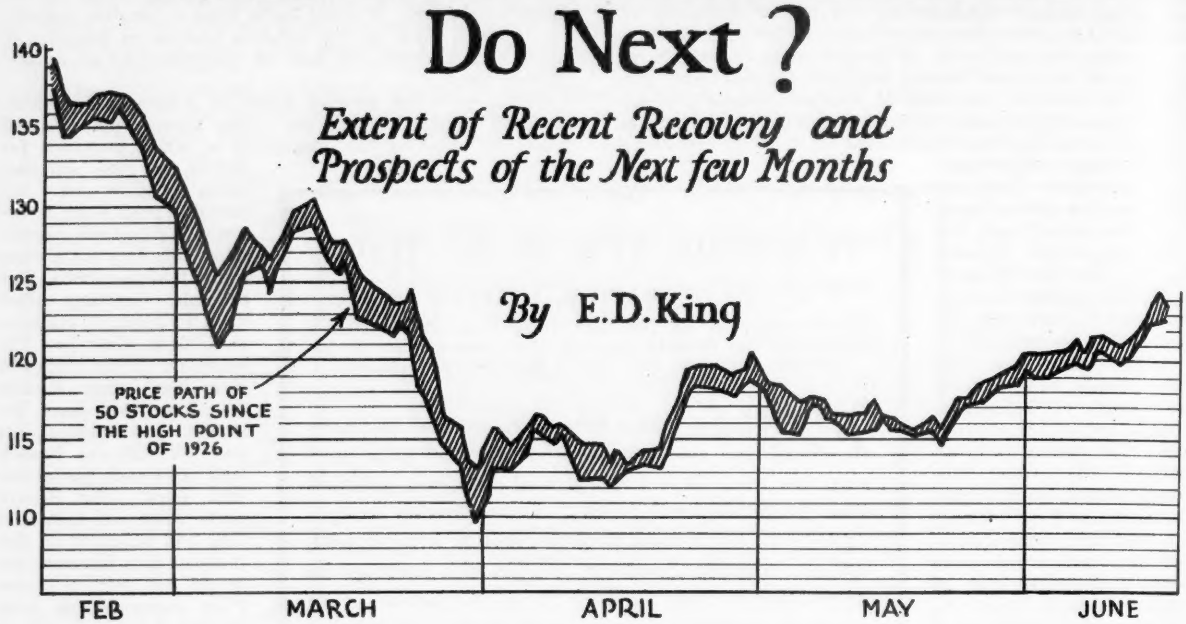


Gerrard B. Winston

What Will the Stock Market Do Next?

Extent of Recent Recovery and Prospects of the Next few Months

By E. D. King



DURING the past few weeks the stock market has staged an impressive recovery. Its extent may best be appreciated by comparing the averages. Thus, the highest point reached this year by the average of 50 stocks (25 rails and 25 industrials) was above 139. This was in February. Within a few weeks after this date, the averages had declined to about 110. This was at the end of March. During April and May, stocks oscillated back and forth, making little headway, except for a few leaders. Since the first of June, however, the recovery has been impressive and the averages now stand at about 126. Thus, so far as the averages show, a great part of the Spring decline has been made up.

The rapidity of the recovery is exceptional. It cannot be explained in reference to business conditions alone. It seems to be purely a market situation.

If the recovery is analyzed, it will be found that two stocks have consistently led the way. These are U.S. Steel and General Motors. Both are Morgan issues, that is the house of Morgan is the banker for both companies and exerts a pronounced influence on their policies. It will be recalled that it was at the request of J. P. Morgan, one of the directors of the U. S. Steel Corporation, that the regular dividend rate of U. S. Steel common was raised from \$5 to \$7 per share.

In a period of a few weeks, Steel common from its low this year of around 118 has topped its highest price in its history of over 139. General Motors likewise made a tremendous stride forward and whereas several weeks ago it sold at 120, it has since soared to nearly 150.

In addition to these two leaders, other stocks, generally identified with important financial interests such as Morgan or the First National and others have staged very impressive advances. Some of these stocks are American Can, Reading, N. Y. Central and other standbys. It has, in fact, been a pronounced feature of the general market advance that the best grade stocks have thus far enjoyed the most complete recovery, the more speculative issues not performing nearly so well though they are now finally commencing to show signs of life.

What is back of this exceptionally swift recovery?

The conventional thing to do is to explain the advance in terms of fair business conditions and cheap money. Undoubtedly, these factors have something to do with it. Yet, if we analyze business conditions, the most that one can say is that affairs have not turned out as badly as prophesied earlier in the year. But the most acute judges do not expect the second half of the year to be quite as satisfactory as the first half so far as business *profits* are concerned. Hence, a really important advance such as the present would hardly be justified by what is expected of business during the balance of the year. That is, the mere fact that business has not declined as much as expected would hardly be warrant in itself for starting another bull market at this time.

The fact, however, that we are in a cheap money period and that prospects are for continued ease in the money market is a much better explanation of the rise in stocks, though it is not a complete one. As a result of the comparative recession in business, large funds have been made available for investment. A good part of this has gone into the bond market but the advance there has been so rapid as to reduce considerably the obtainable yield. Many investors no longer find themselves content with accepting the relatively low yields on high-grade bonds. Hence, unless they utilize their funds for purchase of the more speculative bonds, they are compelled to find an outlet by way of sound preferred and common stocks which, on the average, are still returning a fair yield.

This will help to explain the steady absorption of the sounder type of dividend-paying stocks during the past few weeks. It is a logical process which should continue as long as money is cheap and the yields on common stocks remain satisfactory.

The market, however, does not always justify its reputation as an economic barometer. We have shown that the present rise in stocks has less relation to business prospects this year than to the money situation. But the latter is becoming an important factor, considering the market purely from its speculative aspects.

As long as there is no actual business depression impending, as long as the outlook for fair industrial profits continues satisfactory and as long as the general public frame of mind is at least free of fear, it is possible, provided money is abundant, for large financial interests to manipulate the market upward. They may do this for any number of reasons—to facilitate distribution of their stock holdings, to stimulate optimism in the business outlook and, hence, actually influence an increase in business, or to furnish a background which would permit successful flotation of large and important security issues.

It is now a feature of this market that pool manip-

ulation is already spreading and that an increasing number of stocks, speculative as well as those of a sounder description, are becoming affected by these demonstrations. In the meantime, the public whose confidence in securities is rapidly being restored by the spectacle of a consistent advance, is again commencing to show signs of interest in speculation.

The market itself is generally an excellent barometer of its future condition and skilled judges frequently can read its action even though it may apparently have no obvious relation to business prospects. One of the most important clues at this time to future market action is the fact that the volume of transactions on the N. Y. Stock Exchange has steadily broadened during the past few weeks. There have been a number of two-million share days recently whereas, after the Spring break, one-million share days and less were not uncommon.

This clearly indicates the extent to which public interest in the market has been stimulated. Once a movement of this sort gains momentum, it usually runs a considerable period before it is arrested. Stock movements become more and more violent. Wide daily swings become common and the market enters its final stage of distribution as last February when, just before the crash in stocks, the market was most violent on the upward side.

In the final analysis, the direction of the market up to a time is determined by the public, though large financial interests are usually responsible for the earlier stages, either of an important advance or an important decline. The fact that, as illustrated by the action of stocks such as U. S. Steel, General Motors, Reading and others, all of which have strong banking control, the more important financial interests, if not actively sponsoring, are at least not interfering with a move in these issues, would seem to indicate that the market has already passed the first phase of the advance. With evident signs that the public is commencing to participate more heavily, it is equally apparent that the second stage of the advance has been entered. From this time on, if the market turns true to form, advances should become more numerous until, when by its sheer weight, the speculative edifice commences to crumble.

It must not be forgotten that while the market has become a better investment guide than heretofore, it has also become a center of increasing speculation. That is, speculation in the stock market, to a greater degree than ever, has become a means and end in itself, without much relation to actual business conditions. The extent to which the market over-discounts either on the upside or downside has become one of its most vital characteristics. This means then that the fact that business may not improve greatly would in itself not be a deterrent to higher stock prices.

Of course, the policy of the investor should not be dictated by speculative exigencies. There have been frequent occasions when the market would advance violently for a few months and thereby accrue handsome paper profits to speculators only to change its trend violently and suddenly and thus cause sharp losses.

While the speculatively inclined must pay attention to temporary conditions which may afford a profit, the investor should consider mainly the longer range, and, particularly the possibility of unwisely buying the wrong types of stocks. So far as his investment funds are concerned, he must guard against unduly extending himself. The types of stocks in the most secure position are the better grade railroad issues, a number of public utility stocks and the sound dividend-paying industrial issues.

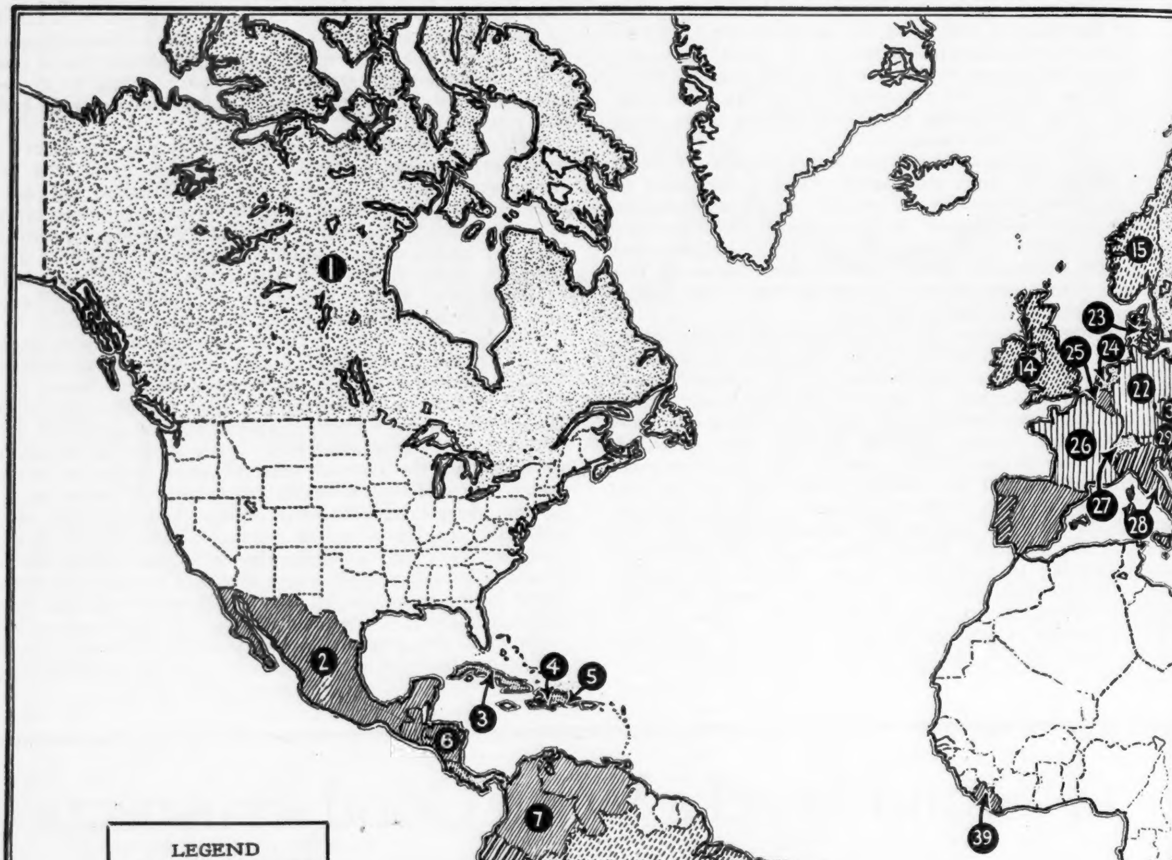
It is logical to expect a further advance in stocks, based chiefly on the plenitude of funds available for investment and speculative purposes. As brokers' loans, however, continue to mount, thus showing the effect of wide-scale speculation, the means by which speculation is conducted will shrink and the movement will reverse itself. It should be recalled that the current scale of stock prices is by no means low and that excessive pyramiding of prices on top of the present high structure would lead inevitably to a correction of the situation as it did last December and again at February. *The conclusion is that speculation in stocks is becoming more ardent and that it is greatly facilitated by the cheapness of money. Though, from the viewpoint of business prospects, a further market advance is not warranted, this evidently is not sufficient to interfere with the rising tendency since the public is showing obvious desires of entering the speculative arena again.*

24 Sound Stocks With Good Prospects

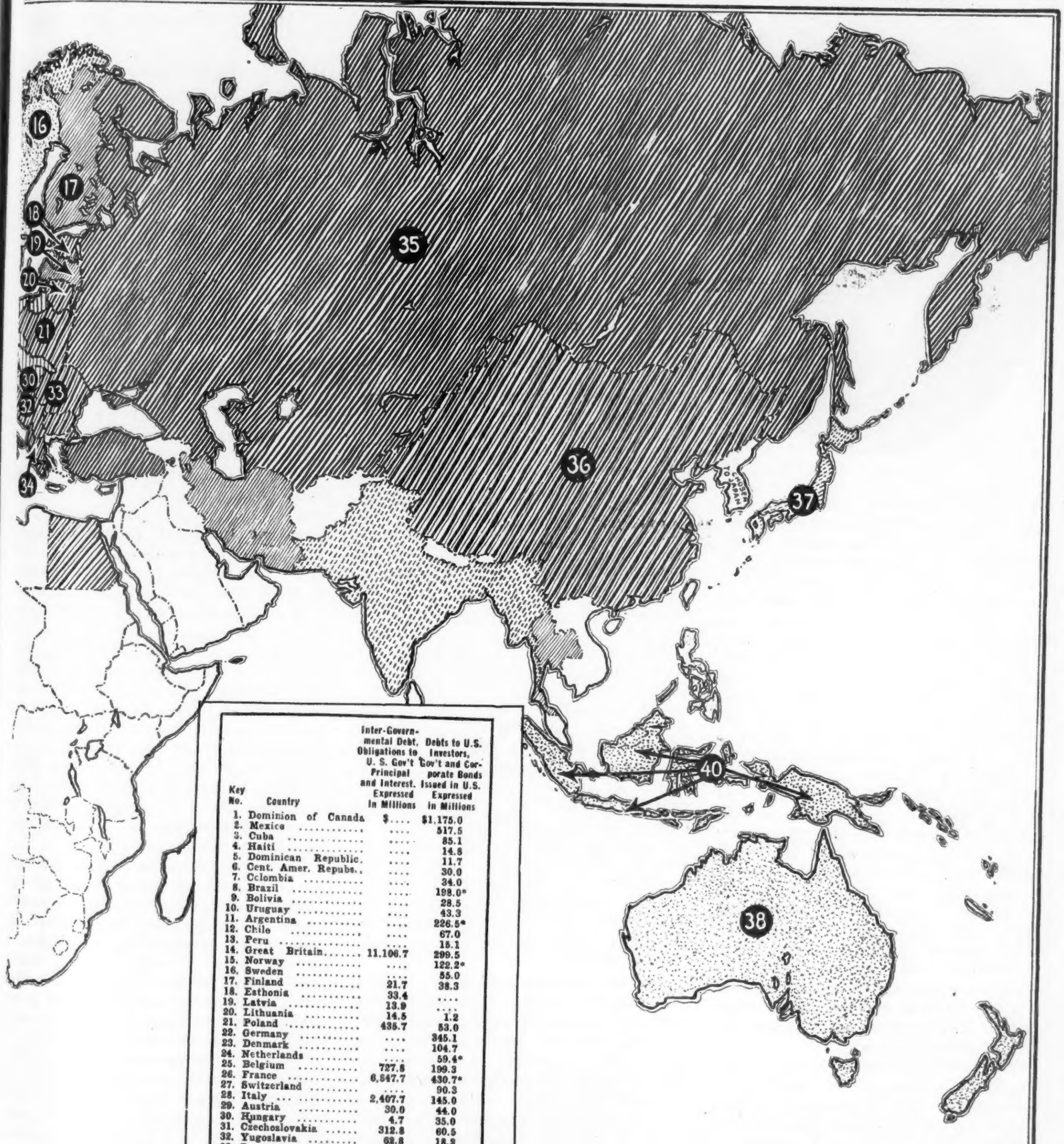
Company	Earned $ per Share 1925	Div. $ per Share	Recent Price	Yield (%)	Earned % on Recent Market Price
Allis Chalmers	8.78	6	88	6.8	9.9
Am. Car & Fdy.	†6.77	6	99	6.1	6.8
Am. Steel Fdy.	4.38	3	42	7.1	10.4
Anaconda Copper	5.85	3	47	6.4	12.4
Columbia Gas & Electric	5.38	5	81	6.2	6.6
Columbian Carbon	5.38	4	63	6.4	8.5
Consolidated Gas	6.98	5	97	5.2	7.1
El. Storage Battery	9.43	‡5	80	6.3	11.7
Great North'n pfd.	8.54	5	76	6.6	11.2
Hudson & Manh'n	3.81	2½	39	6.4	9.7
Illinois Central	12.86	7	121	5.8	10.6
Inter. Business Machine	4.88	3	48	6.3	10.1
Inter. Harvester	16.32	6	122	4.9	13.3
Inter. Match pfd.	5.62	3.20	65	4.9	8.6
Kennecott Copper	5.34	4	54	7.4	9.8
Mack Truck	13.92	6	117	5.1	11.8
N. Y. Central	12.69	7	130	5.4	9.7
North'n Pacific	7.24	5	73	6.9	9.9
Stand. Oil of N. J.	4.72	1	45	2.2	10.4
Texas Co.	6.02	3	55	5.5	10.9
Union Carbide & Carbon	7.53	5	82	6.1	9.1
Western Union	15.22	8	144	5.5	10.5
West'house E & M	*5.95	4	68	5.8	8.7
White Motors	§10.55	4	57	7.0	18.2

* Year ended March 31, 1926. † Year ended April 30, 1925. ‡ Not including extras. § Earned on 500,000 shares.

FINANCIAL RATING
DEBT TO THE



OF COUNTRIES IN UNITED STATES



Key No.	Country	Inter-Governmental Debt. Obligations to U. S. Gov't Principal and Interest. Expressed in Millions	Debts to U.S. Investors, Gov't and Corporate Bonds Issued in U.S. Expressed in Millions
1.	Dominion of Canada	$....	$1,175.0
2.	Mexico	....	517.5
3.	Cuba	....	85.1
4.	Haiti	....	14.8
5.	Dominican Republic	....	11.7
6.	Cent. Amer. Repubs.	....	30.0
7.	Cclombia	....	34.0
8.	Brazil	....	198.0*
9.	Bolivia	....	28.5
10.	Uruguay	....	43.3
11.	Argentina	....	226.5*
12.	Chile	....	67.0
13.	Peru	....	15.1
14.	Great Britain	11,106.7	299.5
15.	Norway	....	122.2*
16.	Sweden	....	55.0
17.	Finland	21.7	38.3
18.	Esthonia	33.4	....
19.	Latvia	13.9	....
20.	Lithuania	14.5	1.2
21.	Poland	435.7	53.0
22.	Germany	....	345.1
23.	Denmark	....	104.7
24.	Netherlands	....	59.4*
25.	Belgium	727.8	199.3
26.	France	6,847.7	430.7*
27.	Switzerland	....	90.3
28.	Italy	2,407.7	145.0
29.	Austria	30.0	44.0
30.	Hungary	4.7	35.0
31.	Czechoslovakia	312.8	60.5
32.	Yugoslavia	62.8	18.2
33.	Rumania	122.5	....
34.	Greece	20.2	11.0
35.	Russia	283.0†	75.0
36.	China	....	49.4
37.	Japan	....	298.4*
38.	Australia	....	96.9
39.	Liberia	....	1.3
40.	Dutch East Indies	....	150.0

* Includes 25% of Currency Issues, which proportion is assumed to be held in the U. S.
† Obligation of the former Russian Empire.

Is Our Banking System Becoming Defective?

Urgent Need for Rectifying Important Weaknesses in Federal Reserve—What About Branch Banking?

By Representative LOUIS T. McFADDEN,

Chairman of the Committee on Banking and Currency of the United States House of Representatives.

WHEN Napoleon Bonaparte created the Bank of France he decreed that there should be no amendment of its organic act for forty years. He thus sought to prevent sinister political meddling and unintelligent legislative interference with an institution that ideally should be above partisan politics and above selfish bias. The Little Corporal succeeded in large measure in establishing a central bank under the power of the state and yet functionally independent of it. The Bank of England is legally entirely independent of Parliament and government. But our National Banks and the Federal Reserve System—our substitute for a central bank—are always under political pressure and legislative undermining. Any hysterical frenzy of the electorate may throw the reserve system into the melting pot of political passion and any congressional orator, with a surplus of emotion and a deficit of intellect, may conceivably drive through a congress—pulled a thousand ways by conflicting interests—a measure that may strike at the very foundations of reserve banking.

As a matter of fact it is no unusual thing for the greenest of congressmen to rush in where the angels of finance themselves fear to tread and propose a measure which if enacted would injuriously alter, if not shatter, the very ark of the system. I see no way of escaping this perennial risk of injury if not of disaster. It is inherent in our popular system of government and our ancient and wholesome fear of private money power over the channels of credit.

The very money of the Federal Reserve System—the Federal Reserve notes—is an obligation of the United States government; and the Federal Reserve Board is not only a creature of federal law, but the members of the board are appointed by the President of the United States, subject to confirmation by the Senate. As against the legislative and political peril we can only hope to interpose a high tradition of conservatism and sacredness that will make men loath to touch lightly the safeguard of our common financial life.

In such circumstances the highest service a man in my position can render his country is to nip in the bud the terrifying crop of tinkering legislation that springs up at every session of Congress. At this very moment our committee is holding the gates against sixty bills aimed at some feature of the Federal Reserve System or of the national banks on which that system is founded.

Yet a new system built on an old and promiscuously patched banking law could hardly be expected to function a month without revealing defects that call for cure. Not only that, but we are a new and changing country, expanding industrially, commercially and in wealth at an unprecedented rate. To swift expansion is added ceaseless change in the very fundamentals of our economic life. The efficiency of the Federal Reserve System and the full attainment of its dominant purpose require progressive alteration — and that can only be by legislation. So, Congress must act protectively from time to time.

Let us consider our entire federal banking system for a moment. The national banks—national banking associations they are precisely—were created under the stress of civil war for the purpose of evicting the state banks from the field of circulating note issue and of giving the government and business the benefit of a group of banks that would be under its supervision and presumably, therefore, more responsible and enduring than the heterogeneous state banks deriving their powers from local charters. As a result, every bank note became the note of a national bank—a note so protected and secured that failure of the bank in no way affected the note.

Hundreds of national banks have failed but who ever examines a bill to ascertain whether the institution that promises to pay it is alive or defunct? A national bank note is always as good as gold. Besides their privilege of note issue, these national banks were endowed with broad but limited general banking functions. These functions have been amended from time to time, and the course of custom has inevitably changed them in practice. The result is no little ambiguity, uncertainty and conflict of opinion and practice. We are in need of a simplifying code to supersede a much and often obscurely and remotely altered act.

The national banks were merely banks of a particular sort—*i. e.*, federal charter banks; they did not constitute a national banking system. Each bank was an independent unit. There was nothing to tie them together to serve the credit and banking needs of a continental nation—to mobilize reserves, mass credit, adjust and distribute it to meet the needs of a nation of imperial extent and colossal commercial activity. Purely individual and local banks were the only banking mediums available for a huge river of banking transactions that were national, or at least far more than local, in their nature. We were without nation-wide banks and without a bank of banks. There was no truly national banking system.

Numerous financial evils resulted, not the least of which was that the richest nation on earth was chronically short of money for its transactions, and thereby frequently thrown into a money panic. Finally, in 1914, we got the Federal Reserve System. It avoided the branch bank system of other great commercial nations, nullified the tendency to a centralized tyranny of money, and substituted twelve regional banks, under the central control of the Federal Reserve Board, for the banks of banks or central banks of older countries. It is a mingling of government control and private ownership. The privately owned national banks had to create and join the Federal Reserve Banks of their respective regions or give up their charters. Their legal reserves had to be placed in the regional bank, and in return they received rediscount privileges which gave them assured access to elastic credit—which resulted in a volume of currency cor-

responding to the country's varying needs. State banks were permitted and invited to join the federal reserve system, but it was unconstitutional to compel them to enter or to remain.

In the twelve years that have elapsed since the Federal Reserve System was launched, it has become by all odds the most powerful and perhaps the most efficient system designed to serve the banking needs of a national community that the world has; but many unforeseen problems and difficulties have arisen. Most of them arise from the incidence of the new system on its component units—the national banks. They are the blood and bone of the system; its welfare and success depend upon them. They are privately owned corporations: as such they must succeed in competition with other banks and banking agencies. If they are not equipped for survival the system will die at the roots and perish.

The remedial measure, designed to extend "first aid" to the units which make up the system, commonly known as the McFadden bill, has been before Congress for more than two years and has been the issue of prolonged and often bitter controversy. This has arisen from the differences over particular features rather than from general opposition, as is shown by the fact that it passed the House in 1925 without a record vote, and this year by a vote of 293 to 90. In fact, no responsible person has raised any objections to the main purpose. It is universally recognized that its necessity is urgent. The national banks must be able to render a modern banking service, else they can not survive.

It has been recognized for more than half a century that the relations of commercial credit to banking is vested with a national interest. The multiplication of state banks, their liberal and modern charters, their growing resources—now surpassing those of the national banks—have made them deadly competitors of the national banks. If the latter are not armed to meet the emergency, they will have to give up their national charters and become state banks. The process of disassociation is already in full swing. Within two years, 166 banks—many of them with large resources and wide influence—have gone out of the national system, and already there are cities of metropolitan rank with only one or two national banks.

Mr. McFadden is the author of the famous McFadden (inaccurately dubbed "branch banking") bill, about which there is a storm now raging. All observers, whether they agree with the bill or not, are in unison that new dangers are threatening the safety of the Federal Reserve system. There is probably no one more competent in America to discuss this situation than the author of this article.

If this tendency continues we may look forward to a time when the Federal Reserve System will be composed of banks not under federal supervision and at liberty to quit the system at will. A national credit regulating organization under the banking supervision and control of 48 governments would be a monstrosity, and a tragic one.

The McFadden bill does not aim at a comprehensive rewriting of the national bank act; it does not pretend to be all sufficient. It merely seeks to do the obvious things that must be done immediately if we are to save the units that make up the Federal Reserve System and retain an adequate number of banks operating under national charter.

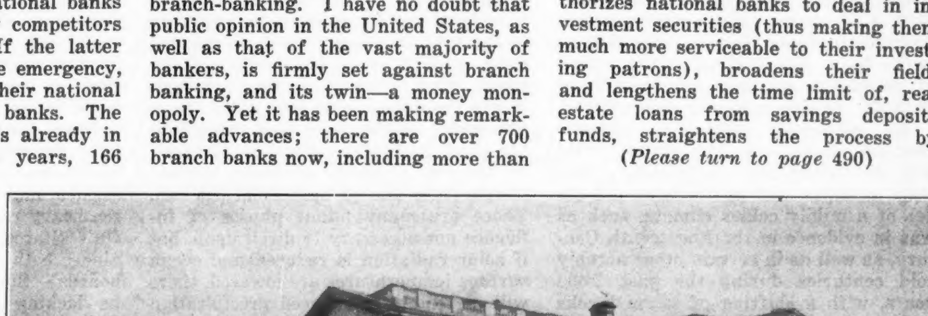
In the brief space allocated to me here it is impossible to more than mention some of the principal elements of the measure. The one that has aroused the most popular interest and received the most publicity is the restriction of branch-banking. I have no doubt that public opinion in the United States, as well as that of the vast majority of bankers, is firmly set against branch banking, and its twin—a money monopoly. Yet it has been making remarkable advances; there are over 700 branch banks now, including more than 3,000 units; to say nothing of the rapid extension of chain banks, that is, the common control of groups of banks which are corporately independent; sometimes referred to as branch bank bootlegging. The right of national banks to establish even local branch clerical offices was dubious and has not been generally asserted. State branch banks are authorized, or not prohibited, in twenty-two states. In hundreds of instances the competition of the unit national bank with the many-branch state bank has become unbearable. Congress seems lacking in power to curb branch banks or chain banks operating under state laws.

To meet this situation, we are giving national banks the right to establish branches under certain conditions (basically determined by the branch bank policy of each state), but so limited that only forty-four cities are affected—and the branches must be local only. They are permitted to retain existing branches—which have been variously acquired.

On the other hand, we are making it a condition of the admission of state banks to the Federal Reserve System that they shall not organize in the future any branches outside the city limits of the parent bank; and there, only if the city have a population of more than 100,000. This is clearly a governmental definition of branch bank recognition; revealing that national policy does not countenance branch banks except as mere services of accommodation and convenience to meet local conditions of traffic congestion and other obstacles to the convenient use of a single banking room. It is a definition that fully disarms the apprehension that we are tolerating a nefarious system of branch banks that may extend their tentacles from their Wall Street lairs to the remotest, smallest and most defenseless banking accounts.

The McFadden bill specifically authorizes national banks to deal in investment securities (thus making them much more serviceable to their investing patrons), broadens their field, and lengthens the time limit of, real estate loans from savings deposits funds, straightens the process by

(*Please turn to page* 490)



The U. S. Treasury Building at Washington, D. C.

Great Climatic Changes Forecast

Temperature of the World Gradually Cooling—Economic Consequences of World Changes in Climate

By H. JANVRIN BROWNE

Mr. Browne's weather forecasts have aroused world-wide interest. He was the first in America to forecast the late exceptionally cool Spring. His forecasts of weather conditions as affecting crops have had a high percentage of accuracy. We believe his contribution in this issue will be found vital.

DESPITE high scientific forecasts to the contrary, the Solar Constant, the measurement of solar radiation with atmospheric interferences excluded, remains at an ominously low point. For the period from 1905 to the beginning of 1922, with three years excluded, the Solar Constant averaged 1.95 calories. Since that date it has remained definitely below that level, not far from an average of 1.92 calories and during the past several months has shown a tendency to drop to the level of 1.90. A calory is, to quote the dictionary, "the usually accepted unit of heat, being the amount necessary to raise the temperature of 1 kilogram of water 1 degree centigrade in 1 minute."

To translate this change in solar radiation into average earth temperature is in a large sense a problem in proportion. Since all heat at the earth's surface is derived from the sun, the proportion must be reckoned from absolute zero which is placed at 461° Fahrenheit plus 62.6°, the average temperature of the earth above zero Fahrenheit, a total of 553.6 degrees. The drop works out approximately 2.21 degrees over the whole earth, but the change tends to be more marked in certain areas and in the continental temperate zones the change may amount to an average of above 3°. Great Britain and Scandinavia would have a 5° drop. The indications are strongly in favor of a further decline in the Solar Constant after the period of maximum sunspots has passed in 1927-28. In this event the theory which I am advancing of definite climatic changes throughout the whole world will be irresistibly sustained. And these changes will be those of the order of a mildly colder climate, such as was in evidence in the Fourteenth Century, as well as in certain other notably cold centuries during the past 2,000 years, with a shifting of storm tracks and precipitation.

I shall confine this article to a brief presentation of the effect of these pending changes in North America and particularly in the United States. The accompanying map outlines the shifts in the isotherms, lines of equal temperature,—which can be forecasted for the United States and which are even now to a degree in operation. To critics who say that the changes indicated are discoverable to have taken place temporarily in past years, the answer should be made that there is no record in existence in the United States or in the World of recent antecedent conditions such as have been coming into operation during the past four years, and which have now assumed a definite trend toward a lower level of temperatures and change of precipitation. One has to contend against the static mental condition of the orthodox mind, official, collegiate and commercial, to secure a fair hearing for this vitally important proposition.

In listing the results of a long continuation in the present decline in Solar radiation, oceanic effects come first, and while slow to respond, end in far reaching changes. It will probably be 1930 before the oceans will have fully adjusted their surface temperatures to the drop in solar radiation, although definite trends are already in evidence. Nine-tenths of precipitation, whether in the form of snow or rain, is derived from evaporation at the surface of the ocean, wind borne upon the continents. While the quantity of that moisture is influenced by the force and volume of the wind, its major control is governed by the two elements of ocean surface temperature and of heat from the sun. There are many minor phases of influence not necessary to dwell upon, but if solar radiation is reduced and ocean surface temperatures are lowered, there will inevitably be reduced precipitation on the continents. Its distribution will of course be governed in its inequalities by many other conditions, but the present drop in solar radiation points to not less than a 5% reduction in precipitation on the lands. This alone may not have a serious effect, as a cooler land means reduced evaporation. There would be, however, changes in seasonal precipitation in the direction of rain at the wrong time and dry weather at the wrong time, to have an unfavorable influence on crop results, not entirely met by deferred changes in the planting season and at critical stages of growth, such as pollination, and during the harvest.

By specific areas, generally cooler weather will benefit the extreme Southwest, Southern California, Arizona, New Mexico and West Texas. Here the transition is already in evidence. The first seven days of April, this year, witnessed the heaviest rainfall in Southern California ever recorded for the whole month of April hitherto. Arizona had the greatest seasonal rainfall ever recorded, accompanied with very low temperatures. The Arizona desert, for the first time since white occupation, is covered with dense and luxuriant vegetation, and a carpet of flowers extending for hundreds of miles. Salt River Valley witnessed, following the March equinoctial date, two storms, the first the heaviest in thirty-one years, and the second, four days later, the heaviest ever recorded. All through that country reports come in of the greatest precipitation ever known. And this condition extends deep into Mexico. Professor Ellsworth Huntington of Yale has brought together material showing that during the Fifteenth Century floods were numerous in the now arid Valley of Mexico, that period being one of the coldest in European history. Dr. A. E. Douglass, of the University of Arizona, has proven this rainfall period by the superior growth of the tree rings of the Douglas fir and Giant Sequoia in Arizona and California.

Since the belt of cold winds would come further South to meet the humid air from the Caribbean, the Gulf of Mexico, and sub-Tropical North Atlantic, heavy rains may be assumed in the Gulf States, and for parallel reasons along both the East and West seaboards. Spring precipitation will not be lacking but the tendency toward Fall droughts would be emphasized in several sections.

The Polar ice cap would undoubtedly extend Southward, and Spitzbergen would become inaccessible to navigation. Permanent ice would extend well into Labrador from the North, and the Spring movement of icebergs and ice fields into the steamer lanes of the Atlantic would be more pronounced. This would mean adverse crop season in New England, and the Canadian maritime provinces.

An important approach to the subject may be found in "Physics of the Air," by W. J. Humphreys, Professor of Meteorology, United States Weather Bureau, one of the great world authorities on problems of the air. Without desiring to commit him to the application of his statements to the present decline in solar radiation, Dr. Humphreys writes (pp. 75-76) that a 5% increase in solar radiation, long-continued, would mean a 4% increase in terrestrial radiation, equivalent to an effective rise in temperature of 4.68 degrees Fahrenheit, "an amount that, if continued for a number of years, would be very important." A corresponding decrease would have a similar drop in earth temperatures. Dr. Humphreys holds that a reduction of from 1.8° to 3.5° in average temperatures would be "enough if long continued to begin a moderate ice age." Still more to the point is this statement (p. 584):

"During the summer or growing season a change of 0.9° Fahrenheit produces a latitude shift of the isotherm by fully 80 miles."

To make it plain, Dr. Humphreys holds that a 1.8° drop would shift the northern limit of the corn belt south 160 miles, and on broad lines a similar shift southward would take place in the Canadian spring wheat belt, in the areas in which definite fruits can be grown, and would similarly affect the northern 160 miles in which cotton can be produced. One can further figure the change into terms of days. The wheat harvest, to illustrate, moves north at the rate of 15 miles a day. So do Spring fruit blossoms. There will be, therefore, an equivalent to a ten-day later Spring and Spring planting, a later harvest, and a disturbingly earlier Fall over the greater part of the North American continent. One can further figure navigation on the Great Lakes similarly shortened at both ends of the season.

On those crops which require practically the present full growing season for maturity tremendously important limitations will be imposed. The so-called late varieties of potatoes would have to give way to the earlier maturing though less prolific types. These have already been so thoroughly developed that no great difficulty would be experienced. Corn would undoubtedly present serious problems. Only among corn raisers is it realized that seed corn cannot readily be shifted from one locality to another, widely apart, with success. It is a highly localized grain. The development of new strains of early maturing corn in sufficient quantities to meet such an emergency as is herein set forth will be a slow and difficult task. It is possible, however, that a shifting of the center of the corn belt south 160 miles might lead to a climatic realignment favorable to beneficial and successful translation of the seed corn a similar distance.

There would be trouble in the fruits. Winter types of apples in the northern orchards would have a hard time of it, and one may question the ability of many vineyards to survive more rigorous winters and a shortened season. For with the shortening of the season would come also a tendency toward later dates for killing frosts in the Spring and earlier ones for their recurrence in the Fall.

Remarkable and convincing work has been done by a group of the younger European scientists, following the leadership of Dr. Rutger Sernander, Professor of Botany in the University of Upsala, Sweden, in definitely determining the great climatic changes which have taken place in Europe since the retreat of the ice cap, which began some thirty thousand years ago and terminated in Northern Europe in about fifteen thousand. Foremost among these are Helmut Gams of Switzerland, Rolf Nordhagen of Norway, and Gunnar Erdtman of Stockholm. They have proven by evidences of plant migration that four marked climatic shifts have taken place, named the Boreal, Atlantic, sub-

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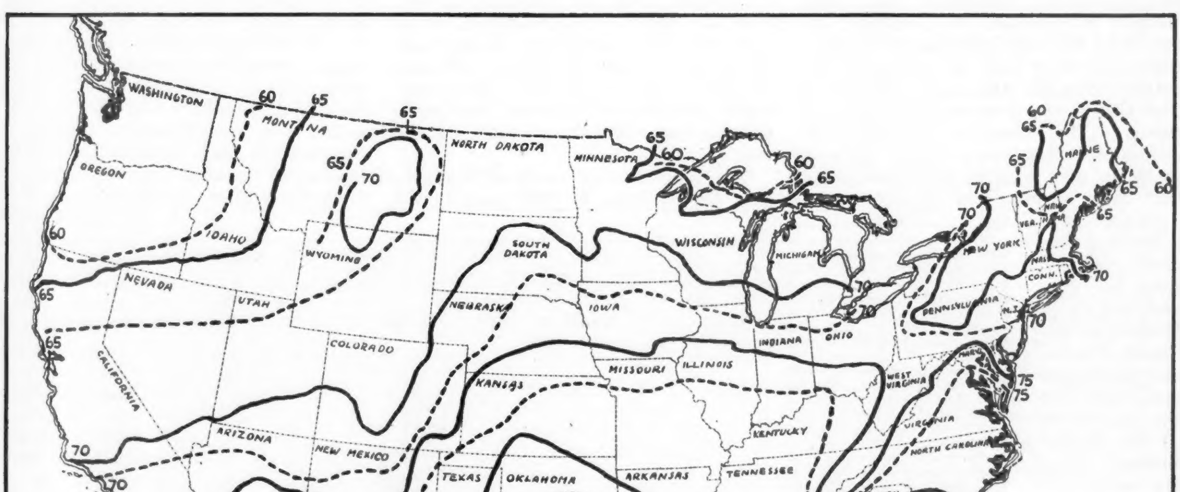


The principal temperature variations in the United States during the growing season, when the indicated climatic changes have become stabilized, are set out on the accompanying map. The black lines give the past normal mean summer temperatures; the broken lines the isotherms of the future.

A Boom in Canadian Securities?

What the Recent Trend Toward Prosperity in Canada Means for Its Securities—An Opportunity for American Investors

By WM. J. BLECH

IN discussing our foreign investments, it is rarely remembered that our Canadian commitments have grown so large that very nearly a third of all our funds placed abroad have been put at the disposal of our great northern neighbor. American investment in Canada was about 250 millions in 1914. It is now said to exceed four billions. Returns to Americans for interest, profits, dividends, etc., must therefore total about two hundred millions per annum, or at the rate of $100 for every Canadian family. That Canadian exchange has advanced to parity and even to a premium over the dollar, despite these invisible exports, is a tribute to the great trade position of the Dominion.

These American investments have been made in all varieties of Canadian securities. Government, provincial and municipal bonds have led, but industrials and public utilities are enjoying increased attention. It will be shown that the bulk, perhaps two-thirds, of this American investment has been made at a time when the Dominion did not enjoy the very greatest prosperity. From this fact may be measured the potentialities for American capital now that this forward march has been resumed. The American investor will look to our Northern neighbor as well as to his own country for investments that are secure and possess good prospects.

With a territory larger than our own and with a history as old, Canada has today only about one-twelfth the population of the United States. True, the amount of territory not favorable to human habitation is larger, but it is still true that the Dominion ought to have nearly half the population of the States. It is not easy to chronicle why it has not enjoyed such a growth. Certainly, for one thing, the Dominion's economic development was forced into a political mold. Especially after the British North America act and the completion of Confederation in 1867, the country was strung on an east and west system of transportation. Hence the lines of commercial development were made to serve national sentiment instead of strict economic need. Here and there a voice was raised in favor of each separate section of Canada being in effect a northern subsidiary of the neighboring area in the States, and "draining" its commerce through that area, but the great Sir John A. MacDonald on the one hand, and fanatical American protectionists on the other, united to twist economic organization out of its normal development. A large protectionist interest, especially powerful in the manufacturing districts of Ontario and Quebec, stimulated a manufacturing organization far beyond the needs of the primitive hinterland, and comparatively small settled market. Hence Canada needed exports of finished goods but remained instead a chronic exporter of agricultural products, and the miraculous development of the agricultural Northwest exceeded all expectations, after 1905. All of this static relation of industry and agriculture was suddenly changed by the war.

The total foreign trade of Canada, only 500 millions in 1909 rose to 2.3 billions in 1919-20, an increase of 360%. Even if price of commodities is considered, physical trade must have increased by more than 200%. The war accelerated the tempo of Canadian manufacturing, trade, debt structure, etc. But after the war, despite depression, the States retained their great supremacy whereas the Canadian dollar sank to as little as 83 cents. The loss in man-power and the greater drain of war for the Dominion as against the States, told, and not even billions in American investment was for a time able to make the Dominion's business what it had been hoped the war had foreshadowed. A slow revival set in, later and now the Northern giant has resumed his stride.

While, like any other country, subject to alternate prosperity and depression, the steady recovery of Canada from the post-armistice condition, indicates a fundamentally sound situation that invites American investment. The country has a national wealth above twenty billions. A sound field for investment of this dimension challenges attention. Canada's total trade from 1924 to 1925 rose from 1.86 billions to 2.16 billions. In view of lower prices than prevailed in 1919-20 this is the greatest trade in Canadian history. Excess of exports over imports rose from 249 millions to 380 millions. It is a more favorable trend than we can show. Despite lower wheat prices, 1925 value of crops was 1.15 billions as against 995 millions in 1924. All agricultural products were 1.7 billions as against 1.44 billions the preceding year. Agriculture is still king of exports, farm products, including dairy products, and fisheries were 794 millions out of total exports of 1.27 billions. Second in rank comes pulp and paper with exports of 273 *(Please turn to page 480)*

The Magnificent Parliament Building at Ottawa, Canada

Twenty Leading Canadian Stocks

	Amount Outstanding Shares (thousands)	Earned per Share, 1925	Asset Value per per Share	Price	Dividend	Yield %	COMMENT
Bank of Montreal	299	15.30	202	263	14	5.32	Oldest large bank in the Dominion. Principal Government depositary. Total assets about 800 millions. One of the world's great banks. Fairly attractive at prevailing prices. Widely dispersed branches (over 600) augment safety. (U) (X) (T)
Royal Bank of Canada....	244	18.87	205	251	14	5.57	Rivals Bank of Montreal in resources. Has over 900 branches. Does an extensive West Indian business. Recently merged with Union Bank. Has branches in South America, Spain, etc. Attractive. (U) (X) (T)
Canadian Bank of Com. .	200	17.44	206	219	13	5.93	Foremost bank having headquarters in Ontario. Resources exceed 500 millions. Has over 600 branches. Distribution of branches similar to Royal Bank. Prevailing price gives excellent yield, scarcely equalled for quality of investment. (U) (X) (T)
Bank of Nova Scotia	100	21.83	300	283	16	5.65	Operates in most conservative and settled area of Dominion. Halifax headquarters gives it natural position in West Indies and New England business. Cautious policy since 1832. Very attractive. (U) (X) (T)
Banque Canadienne Nationale	55	14.91	206	157	10	6.37	Foremost French-Canadian bank. Founded 1874. Will participate in increased economic importance of French race in Canada. Has 254 branches. Clientele sound. Will sell higher eventually. Attractive. (U) (X)
Canadian Pacific	2,600	12.52	223	160	10	6.25	An investment standby whose possibilities, while not spectacular, are principally in enhanced investment attractiveness. Should sell at generally higher levels. (Y) (X) (T)
Abitibi Power & Paper...	250	11.20	48	72	4	5.55	Augmented earning power more significant than asset value. Somewhat below intrinsic value at prevailing price of less than seven times earnings. Prospects for earnings excellent. (Y) (X) (T)
Granby Consol.	344	....	50	18	..	...	Low cost copper producer, whose operating economies and property enhancement will be reflected in real earning power. Somewhat attractive along entirely speculative lines. (Y)
Internat. Nickel	1,673	3.06	35	36	2	5.55	Largest producer of copper nickel. Recent rise of monel metal consumption, in which company leads, should asist earning power. Research activity enlarging markets for products. Attractive speculatively. (Y)
Ford Motor of Canada....	636	87.60	454	500	20A	4.00	Largely independent of Ford Co. of U. S. A. Has exclusive rights to manufacture car in Canada. Recent tariff changes temporarily depressed quotations, but such factor has now been discounted. (Z)
Imperial Oil	6,511	N.R.	N.R.	36	1	2.77	Standard Oil subsidiary. Operates primarily in new field in North-West Canada. Has imperial market. Field may contain many production surprises. Too little information available for judgment of value. (Z) (T)
Hudson's Bay	1,500	5/B	£9,16/B	£5	4/	4.00	Founded in 1670, this settlement and trading company is a healthy survival of older colonial policy. Land account may show assets distribution to shareholders. Attractive at prevailing prices. (L) (U)
Winnipeg Electric Ry. ...	110	3.73	104	47	1	2.10	A good example of the come-back of tractions. More liberal disbursements are foreshadowed by present earnings gains. Community showing satisfactory growth. Overpriced, but would be attractive at about 40. (X) (T)
Dominion Textile	225	6.49	95.	90	5	5.55	Large increase in gross sales in 1925 over 1924 not adequately reflected in net earnings. Working capital position very strong. Should be watched for reduction of costs. In such event would be attractive. (X)
Spanish River Pulp & Paper	94	12.65C	164	99	7	7.07	Apparently undervalued both on earnings and assets basis. Apart from fear of over-production of newsprint, there is no reason for prevailing low price. Important factor in export of its products. (X) (T)
Steel Co. of Canada......	115	10.10	190	102	7	6.86	Excellent working capital position and sound capital structure, accompanied by upward curve of earnings make shares attractive. Stock dependent upon general Canadian conditions, which at the present are satisfactory. (X) (T)
Laurentide Power	105	5.91	70	87	5	5.74	Slow-growing hydro-electric company which seems to earn its 5% dividend consistently. Although there is little sign of an advance, it is a fair investment. Would be more attractive at about $80 with yield at 6.25%. (X)
Consolidated Mining & Smelting	504	21.26	57	212	6.50D	3.06	Half of stock owned by Canadian Pacific. One of lowest cost lead-zinc producers. Great silver producer. Prevailing price appears to have discounted earnings, unless doubling of production in 1926 will continue. (X) (T)
Lake of the Woods Milling	35	....	121	141	12	8.50	Poor earnings for year ended Aug. 31, 1925, principally resulted from power failure at one great mill. Power now normal. Earnings previously $17 per share average for five years. Present price fair but not attractive. (X) (T)
Can. Car & Foundry	49	....	163	42	..	...	Largest Canadian manufacturer of railroad cars. Sales for year ending Sept. 30, 1925, lowest in decade. Earned 11.44% in 1923 and 9.01% in 1924 on common stock. Price low. A good speculation. (X) (T)

A—Paid in 1925. B—Estimated. C—Year ending June 30, 1925. D—Includes extra dividend of $5. (X)—Montreal Stock Exchange. (Y)—N. Y. Stock Exchange. (Z)—N. Y. Curb Market. (U)—N. Y. Unlisted Market. (L)—London Stock Exchange. (T)—Toronto Stock Exchange.

Contradictory Factors in Business

Actual Conditions in Trade and Industry Indicate Some Betterment but Long Range Outlook Uncertain

IF undue importance is paid to a number of recent favorable developments in business, it is easy to lose sight of the main trend which is downward, though not precipitately so. These favorable developments have been the advance in price of several steel products; the fact that the Treasury was not compelled to resort to new financing to meet July 1 obligations; the excess of exports as against imports in May; cheap money; and reports of high production and sales generally.

Balanced against these conditions we find that building activities, except in several large cities, are declining; that competition in the automobile industry is cutting profits and forcing the weaker companies to curtail production; that commodity prices, generally, are tending downward; that a fairly large number of industries such as soft coal, leather, shipping, sugar and textiles are operating under adverse conditions.

The fact seems to be that the rate of production is still large but that competition is intense, resulting in a lower scale of prices, and, hence, in a lowered margin of profit. The earlier months of the year probably measured the peak of industrial earnings in 1926; the balance of the year should show a decline but its rate is not likely to be swift, and, in fact, certain industries such as railroads, public utilities, tobacco, petroleum and copper are likely to make a satisfactory showing.

Steel Conditions

The United States Steel Corporation for May showed a decline in unfilled orders of 218,726 tons in May compared with a decline of 511,959 tons in April. Previous declines ranged between 300,000 and 400,000 tons. New business has increased temporarily and it is expected that the July statement will show an even smaller decline than the one last reported.

The increase of $2 a ton in bars is not especially significant since it does not seem to herald a general advance in other steel products. Earnings for the first quarter for most companies are very good and the second is likely to be almost as good, but at the rate of decline in production which is now about 80% compared with over 90% in the past quarter and the lower level of incoming orders, it is doubtful that the third quarter can measure either the first or second so far as net earnings are concerned.

Railroad car loadings are holding up in impressive style and earnings reports for the first four months, as shown elsewhere in this issue, are quite satisfactory. As a result of operating economies and sustained volume of traffic, the carriers are able to turn in handsome earnings.

Public utility companies, likewise, are favorably affected by the lower cost of materials at the same time that demand for their services remains at the peak. Earnings reports thus far justify the belief that the utilities this year will show profits equal to those of 1925.

Among other industries, petroleum stands out as having the strongest prospects. Prices are firm, and, in some cases, advancing while demand is the highest in history. Production is being stimulated by the higher scale of prices but is not likely to affect the situation materially until after the close of the automobile season.

Copper is firm, as a result of balanced production and consumption. Despite unsettled conditions abroad, Europe is still taking about as much copper as last year and domestic demand has not suffered much from the smaller rate of general business. Profits for this industry should be satisfactory this year.

The building industry shows clearly that the rate of new enterprises is declining, though the larger cities are still very active in this respect. It is probable that a period of greater or less slack in building operations will set in as a result of the fact that many localities are already over-built. A significant situation in this respect is the extremely keen competition developing in the field of buildng materials, where large imports from abroad have produced an over-abundance of supply, influencing the trend toward lower prices.

Money Conditions

Money rates are stable at about 4% but are likely to go lower until the harvesting season when the usual demand for banking accommodation will put in its appearance. The Treasury department has found it possible to meet its July obligations without the usual expedient of a short-term issue. This is the result of high income tax payments and the growing amount received from debtor foreign governments, the latter now becoming quite a feature in government finance.

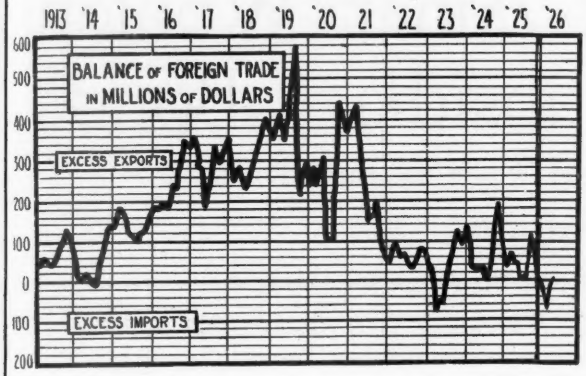
Commodity prices are lower and the general average of production somewhat less than at the beginning of the year. Consequently, demand for credit is less. It is believed within the bounds of probability that the Federal Reserve rediscount rate may again be cut.

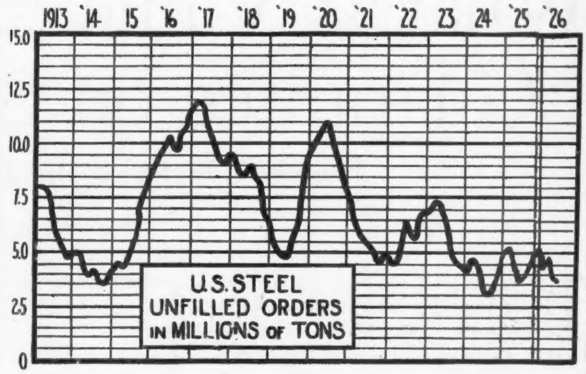
Conclusion

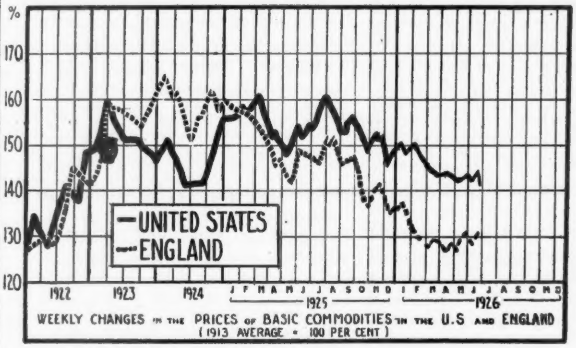
Summarizing, we find that the general business situation is still firm but that a number of weak spots are creeping in. For the present, the favorable and unfavorable elements seem to balance but the more significant factors such as the decline in commodity prices, the lower rate of building, the probably lessened demand for automobiles, the reduction in steel production and the less favorable conditions in a miscellaneous group of industries seem to point to continuation of the recession in business. The full effect of this, however, is not likely to be very marked at any time this year, particularly if the crops turn out to be abundant and if a fair price can be received for them by their growers. The present minor uplift in some industries and the fact that commodity prices are somewhat more stable are probably not good barometers of the more ultimate future. Competition with Europe, which is increasing, is the real keynote of the situation and this seems certain to become more intense.

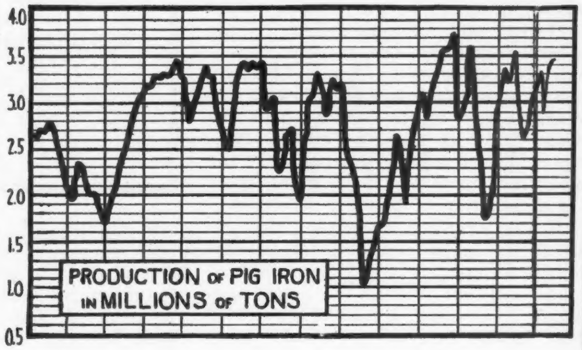
Please Turn to Page 417 for Special List of Sound Common Stocks In An Attractive Position

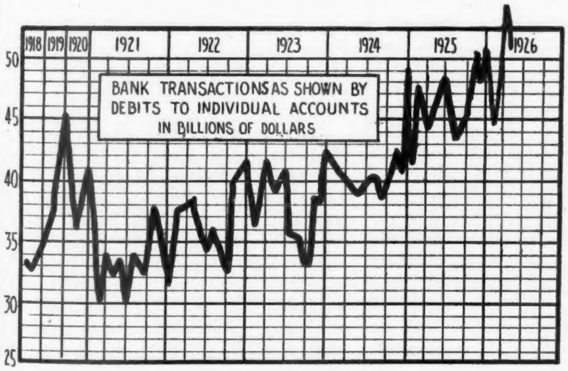
THE TREND OF MANUFACTURE, TRADE & COMMERCE

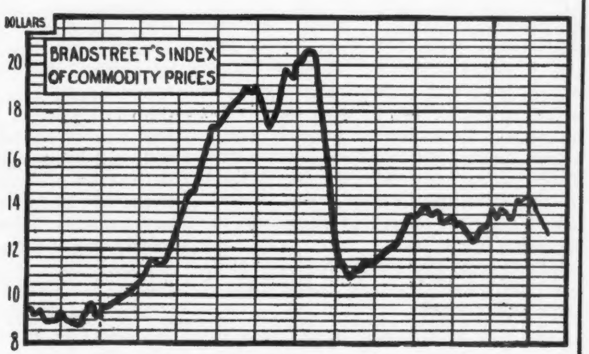


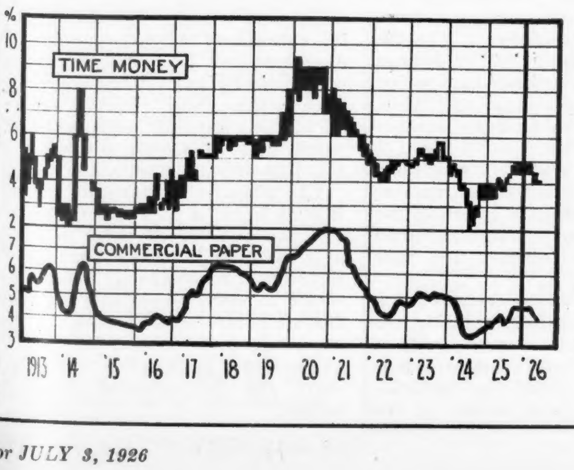


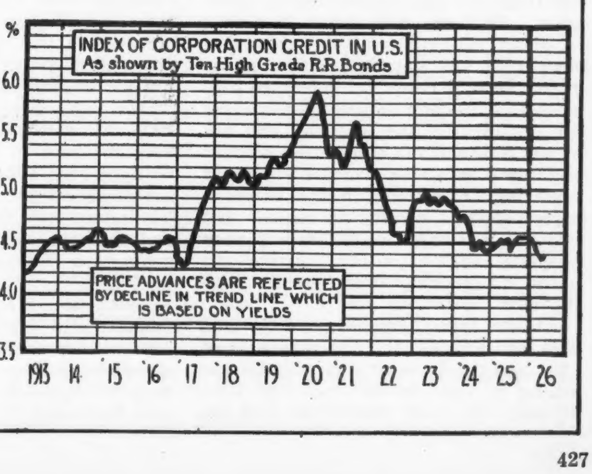












What Is Value of Amer. Woolen's Guarantee on Subsidiary Bonds

Passing of Preferred Dividend Would Safeguard Bonds

By G. F. MITCHELL

THE severe depression in the textile industry which has prevailed for more than two years has had a very marked effect upon the status of the country's leading woolen enterprise, and, of course, as a natural consequence, upon the price trend of its preferred and common stocks. From a level well above 100 in 1923, American Woolen common, then a $7 stock, has dropped to a low price below 21 this year, whereas the preferred, which has never failed to pay its full 7% rate, has sold as low as 66 recently. In the meantime, conditions have necessitated the elimination of common dividends.

	Outstanding (millions)	Callable at	Offering Price	Recent Price	Yield
SHAWSHEEN MILLS 7% Gold Notes, 1931	5.5	103a	97½	97½	7.5%
WEBSTER MILLS 6½% Gold Notes, 1933	5.5	103b	99	92½	7.8%

a—After Oct. 1, 1926. b—Decreasing ½% annually until 101.
Provisions: Guaranteed principal and interest by American Woolen Co.
Direct obligation of subsidiary but not secured by mortgage.
Fixed assets must be maintained substantially intact.
Must be secured ratably with any mortgages hereafter placed on property.

In this situation, the stocks have received the major consideration in view of the absence of any funded debt of the American Woolen Co. as such. There is, however, a contingent funded debt in the form of two bond issues of subsidiaries which are guaranteed as to principal and interest by the parent organization. These are the Shawsheen Mills 7% Gold Notes and the Webster Mills 6½% Gold Notes, due in 1931 and 1933 respectively. The amount outstanding in each case is 5.5 millions. Both issues have a fairly active market on the New York Curb. Their status as investments in the light of the difficulties under which American Woolen is operating raises an interesting question.

Shawsheen Mills and Webster Mills are controlled through ownership of their entire stocks.

The two bond issues aside from the rate of interest, callable price, and maturity, are almost identical in character. They are both debentures, that is, direct obligations of the respective companies but not secured by mortgage. In both cases the indenture provides that as long as any of the notes are outstanding the company will not at any time sell any substantial amount of its real estate or machinery without replacing or keeping in the assets a corresponding amount in value, and will not mortgage or pledge any such property without either retiring the notes, or securing them equally with the new obligations created.

At the recent market of 97½ and 92½ respectively, the Shawsheen 7s of 1931 and the Webster 6½s of 1933 are selling to yield better than 7%. Considering the early maturities and the low current yield of short term bonds, such a return is liberal to say the least, and if it were possible to prove that the notes are reasonably safe in respect to principal and interest, they could then be rated as investment opportunities.

Annual interest charges on the two issues amount to $742,500. Net income available for dividends in 1925 amounted to $944,422 indicating that said interest requirements were covered more than twice over. The margin of safety was nearer tenfold from 1921 to 1923 followed by a huge deficit in 1924, but in a case of this kind past performances are no criterion. As the matter now stands, earnings could decline nearly one million without necessitating drawing upon surplus for interest payments.

The disastrous experience of 1924 is not likely to be repeated. The adverse situation developed so rapidly that the company was taken unawares. Furthermore, fundamental changes have occurred in the management. The extravagance engendered by the former prosperity has been replaced by a policy of the most rigid economy, and while 1925 net income was decidedly subnormal, the gain in this item of about 8 millions over 1924 was very creditable considering that conditions in the textile industry showed little improvement and that the company had to contend against a falling market for raw wool.

American Woolen operates in a fundamental industry, and under the present management it seems only a question of time before better things may be expected. From the bondholder's viewpoint it is a matter of the duration of this readjustment period, whether the situation will clear up prior to the maturity of the notes. The fundamental difficulty is excessive capacity combined with long continued hand-to-mouth buying by consumers. The company is securing wider distribution, however, and thus laying the foundation for a sounder business structure whenever individual orders show an increasing trend as regards size.

Considering the Shawsheen and Webster notes from the standpoint of safety of principal, their total amount, 11 millions, is hardly large enough to warrant the fear that American Woolen could not float a new issue, if necessary, to provide funds for payment at maturity, especially as on the surface at least the financial condition of the company continues strong despite recent reverses. There is one potential development which, while it would be construed as unfavorable, would at the same time enhance the equity behind the guaranteed obligations. This is the discontinuance of preferred dividends, often rumored but yet to be carried out. Such action would entail a saving of 3.5 millions annually, sufficient in three years time to almost cover the outstanding amount of subsidiary notes.

The situation confronting American Woolen leaves a good deal to be desired and the guaranteed notes are hardly as yet suitable to those not speculatively inclined. The company, however, can resort to many expedients before any default in interest or principal becomes necessary, and the guarantee of such an important concern in a vital industry must still be accorded considerable weight.

Bonds

PRICES in the bond market have remained very close to the highest prices of the year. Another gratifying development has been a large increase in new offerings, so that the demand for new issues is being better taken care of. These new issues, while large in amount, do not, however, rival in importance the action of the Treasury in meeting June maturities on the debt entirely out of surplus, thus withdrawing almost 300 millions from the new issues' market. Unfortunately, July maturities of corporate bonds are somewhat less than usual, which means a smaller volume of refunding issues than that month ordinarily shows. While the edge is off bond hunger, it is still true that demand outruns supply.

Foreigns Active

Two foreign groups have shown notable advances. Japanese bonds have led in an almost sensational movement and the 6½s have passed 97. Restoration of currency to hailing distance of parity, recovery from earthquake losses and satisfactory international relations have been the three contributory factors. German industrials have also advanced, in some cases below a 7% yield. Obviously, the report of Mr. Gilbert, the receiver at Berlin, has helped effect these advances.

Tax-exempts have been greatly assisted by issuance of 60 millions in Federal Land Bank 4¼s, to yield an average of 4.12%. The less wealthy investor can note with gratification that yields are not quite so ascetic on public utility bonds. Issuance of 15 millions secured 5½s of Public Service of New Jersey at 99, yield 5.56 and of Southeastern Power & Light debenture 6s to yield 6.30%, indicate that fairly satisfactory yields are still attainable in desirable bonds.

Among the rails the fortnight has been marked by fractional recessions among many not immediately of the highest grade. Missouri Pacific generals 4s, after continued upward advance, at last reached a static position. On the other hand, strength characterized the entire New Haven list, and the 4s of 1957 reached 70. Their 1926 low was 58. Seaboard Air Line refunding 4s regained popularity and again attained 73½, or practically their high, and under a considerable turnover.

Industrial bonds, on the whole, were marked by slight recessions, although there were some important exceptions. Prospects of a reorganization of American Writing Paper Co. advanced the 6s to as high as 56. These have worked up from a low of 42 in March. Such a movement is typical of large advances occurring among carefully selected speculative bonds. Brooklyn Union Gas 5½s were featured among the utilities.

The bond market will probably continue to mark time until after the semi-annual turn at the end of June has been liquidated.

Bond Buyer's Guide

Bonds for Income Primarily

	Amount Issue (Millions)	Prior Liens (Millions)	Times Interest Earned on all debt	Price	Current Income	Yield to maturity
GOVERNMENT ISSUES						
Argentine 6s, 1959 (a)	44.8	....	....	99	6.10	6.07
Dominican Rep. 5½s, 1942 (a)	6.7	6.4	....	96¾	5.67	5.85
Haiti 6s, 1952 (b)	15.6	....	....	97½	6.17	6.12
Panama 5½s, 1953 (a)	4.4	....	....	102½	5.39	5.33
RAILROAD ISSUES						
Baltimore & Ohio, Ref. 5s, 1995 (a)	60.0	284.0	1.44	98¼	5.08	5.05
Ogdensburg & Lake Champlain 1st 4s, 1948	4.4	....	1.91	81⅛	4.92	5.48
Genesee Riv., 1st 6s, 1957	5.7	....	1.44	109½	5.48	5.35
Great Northern, Gen. 7s, 1936 (b)	115.0	139.6	2.75	113½	6.17	5.25
Kan. City Sou. Ref. & Imp. 5s, '50	18.0	30.0	2.07	99	5.05	5.10
Ky. & Ind. Term., 1st 4½s, 1961	5.1	....	X	83	5.42	5.62
Minn., St. P. & Sault 6½s, 1931	10.0	74.6	1.16	103¼	6.31	5.80
M-K-T, P. L. 5s, 1962 (b)	36.6	31.3	1.69	101	4.95	4.95
Missouri Pac., 1st & Ref. 6s, 1949 (a)	24.1	126.3	1.24	107	5.64	5.50
N. Y., O. & W., Ref. 4s, 1992	20.0	....	1.29	75	5.33	5.40
Rutland, 1st 4½s, 1941	3.5	....	1.80	91	4.95	5.35
San Antonio & Aransas Pass. 1st 4s, 1943	17.5	....	2.63	88⅛	4.53	5.05
Western Pacific, 1st 5s, 1946 (b)	27.8	....	2.26	100	5.00	5.00
PUBLIC UTILITIES						
Am. W. W. & Elec. Coll. 5s, 1934 (b)	12.7	....	1.32	97¾	5.07	5.30
Commonwealth Power, 6s, 1947 (b)	10.1	....	4.28	104½	5.73	5.61
Hudson & Manhattan, Ref. 5s, 1957 (b)	37.5	5.6	1.98	97½	5.11	5.18
Kansas Gas & El. 1st 6s, 1952 (a)	14.0	....	1.71	104½	5.74	5.70
Laclede Gas. C. & R. 5½s, 1953 (b)	17.5	10.0	1.58	103¾	5.29	5.26
New York Dock, 1st 4s, 1951 (a)	12.5	....	2.73	85	4.70	5.07
New York Edison, 1st 6½s, 1941 (a)	30.0	38.0	3.71	117½	5.52	4.85
Ohio Pub. Ser., 1st & Ref. 7s, '47 (b)	3.7	4.0	2.61	110⅝	6.36	6.10
United Fuel Gas, 1st 6s, 1936 (a)	9.5	....	5.72	102¾	5.85	5.68
Western Union, 6½s, 1936 (a)	15.0	20.0	11.20	112	5.80	5.00
INDUSTRIALS						
Am. Smelting & Ref., 6s, 1947 (a)	9.6	....	4.92	107½	5.60	5.42
Anaconda, 1st 6s, 1953 (a)	105.5	16.9	1.34	103½	5.79	5.74
Bethlehem Steel, P. M. 5s, 1936	22.2	5.1	2.20	97¾	5.10	5.26
Central Steel, 1st 8s, 1941 (b)	4.5	....	4.90	122	6.56	5.78
Goodrich, B. F., Co., 1st 6½s, 1947 (a)	22.7	....	5.35	105½	6.18	6.08
Hershey Choc., 1st Coll. 5½s, 1940 (a)	19.3	....	5.18	101⅞	5.37	5.33
Int. Paper, 1st 5s, 1947	6.7	....	7.26Y	95	5.29	5.39
Sinclair Pipe Line, S. F. 5s, 1942 (a)	24.5	....	4.46	91¼	5.49	5.82
So. Porto Rico, 1st Coll. 7s, 1941 (a)	5.0	....	3.31	108	6.48	6.18
U. S. Rubber, 1st 5s, 1947 (b)	61.4	2.6	2.91	93½	5.24	5.52

Bonds for Appreciation of Principal Primarily

	Amount Issue (Millions)	Prior Liens (Millions)	Times Interest Earned on all debt	Price	Current Income	Yield to maturity
RAILROADS						
Chicago Gt. Western, 1st 4s, 1959	34.7	....	0.90	68⅝	5.82	6.25
Central New England, 1st 4s, 1961	13.4	0.2	0.67	74¾	5.38	5.68
Erie, Gen. Lien 4s, 1996	35.9	91.6	1.44	71½	5.63	5.65
Int. Gt. Northern, 1st 6s, 1952 (b)	17.2	....	1.34	105¼	5.73	5.61
Mo. Pacific, Gen. 4s, 1975 (a)	49.6	219.9	1.24	73⅛	5.45	5.88
Rock Is., Ark. & La. 1st 4½s, '34 (b)	11.0	....	1.48	94¼	4.79	5.46
Spokane Int'nal, 1st 5s, 1955	4.2	....	3.77Z	87⅛	5.17	5.90
Western Md., 1st 4s, 1952	46.5	2.3	1.18	74⅞	5.33	5.90
PUBLIC UTILITIES						
Brooklyn-Manhattan Tr., 6s, 1968 (b)	92.7	....	1.52	98	6.12	6.12
Indiana Nat. Gas, Ref. 5s, 1936	6.0	....	1.89	98	5.10	5.28
Manhattan Ry., Cons. 4s, 1990	40.7	....	0.86	67	5.97	6.02
Market St. Ry. 1st 7s, 1940 (a)	12.9	....	2.38	97¼	7.21	7.30
Montreal Tramways, Gen. & Ref. 5s, 1955 (b)	2.5	21.4	1.31	93	5.39	5.51
N. Y. & Richmond Gas, 1st 6s, 1951 (b)	2.1	....	1.06	102⅛	5.87	5.80
INDUSTRIALS						
Ajax Rubber 1st 8s, 1936 (b)	2.4	....	2.23	103½	7.74	7.52
Col. Industrial 1st Gtd. 5s, 1934	31.4	5.3	1.16	90	5.55	6.55
Consolidation Coal, 1st & Ref. 5s, 1950	21.1	8.0	2.52	81¾	6.14	6.51
Commercial Credit, Coll. 5½s, 1935 (a)	5.0	....	2.74	94	5.85	6.36
Republic Iron & Steel, Ref. & Gen. 5½s, 1953 (a)	8.9	11.2	4.48	94½	5.83	5.92
DEBENTURES						
Am. Chain, S. F. Deb. 6s, 1933 (a)	6.6	....	6.84	101½	5.92	5.75
Am. Type Founders, Deb. 6s, 1940	5.0	....	....	104½	5.73	5.58
Ligget & Myers, Deb. 7s, 1944	13.6	....	5.88	123	5.69	5.06
Sun Oil. Deb. 5½s, 1939 (a)	9.6	....	3.99C	100	5.50	5.50

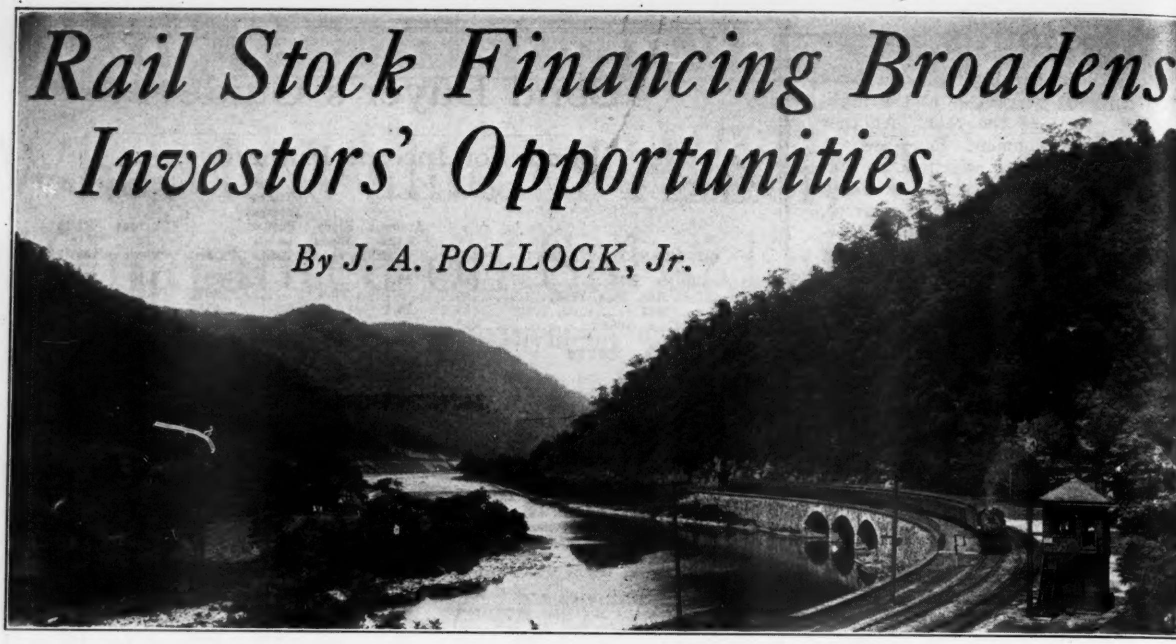
Note—All bonds in $1,000 denominations, except (a) lowest denomination $500, (b) $100. Earnings are on five year basis unless shorter basis is only one available. Where bonds are assumed, earnings of guarantor company are given.

X—Guaranteed by proprietary companies. Y—Recent earnings about $2.16. Z—Interest only guaranteed by Canadian Pacific. C—Listed N. Y. Curb market. All others on N. Y. Stock Exchange.

Note: Buff. R. & P. Con. 4½s, 1957, have risen to a quotation where they are no longer attractive. Ogdensburg & Lake Champlain, 1st 4s, 1948, have been substituted.

Rail Stock Financing Broadens Investors' Opportunities

By J. A. POLLOCK, Jr.



THAT a fundamental change in the attitude of the investing public toward railroad shares has recently been in the process of development must be apparent to even the most casual of stock market observers. Heretofore, rails have been regarded more or less as "dead" issues, the legitimate hobby of statisticians, and perhaps the fitting depository of rich men's funds. In a highly speculative market in which the elements of mystery and novelty have been important insignia of virtue, the slower, safer, and less mysterious rails have not carried popular appeal. The one basis of popularity has been in the matter of possible consolidations and this generally to the exclusion of a real regard for values.

Certainly new offerings of railroad shares have been too infrequent to keep their possibilities as a field for funds alive before the average investor. In an era which has witnessed an unheard of volume of corporate financing and in which common stock investments have become highly popularized, the carriers have taken almost no part. Although over a billion dollars worth of corporation stocks were sold to the public last year, railroad offerings came to the insignificant total of $16,000,000.

Several recent events have tended to reawaken popular interest in railroad shares, such as their comparative strength in the March break in the stock market, the I.C.C.'s condemnation of non-voting stock in the case of the Nickel Plate and refusal to allow the Chesapeake & Ohio to issue bonds instead of stock, Arthur Curtiss James' announcement that he had made an additional large investment in the railway industry through purchase of virtual control in the Western Pacific, and New York Central's decision in conjunction with its leasing of subsidiaries, to seek authorization of an additional $100,000,000 capital stock. Collectively these incidents all tend to raise the interesting question of the future status of rail shares as a field for investment. The obvious interest of the public lies in the growing inability of security dealers to supply the huge investment demand with good risks. Moreover, the problem of investment would seem destined to become decidedly more acute as time goes on. If there is a single economic prediction which may be made with certainty it is that interest rates over any reasonable period of time will tend lower and demand for a good income return will increase. If there is a second safe prediction it relates to the assured future of railroad earnings.

Thus it is only logical that attention should turn to the possibilities inherent in our largest industry as a future depository for investment funds. It should be timely to consider in a broad way what existing securities offer in the way of values and particularly what the industry may be expected to offer the investment market in the next few years.

Rails In Position to Finance with Stock

When last sharply before the public eye, this discussion of railroad financing revolved chiefly around the question of the carriers' inability to sell stock and the consequent dangers inherent in the growing proportion of funded debt. It is unnecessary to say that all this has been changed and that the stronger roads whose common shares are selling from 100% to 150% of par can finance with stock, or that the industry is in the best position in history. All this has been extensively and conclusively proven elsewhere. Nor is there any room for doubt that between 1917 and 1923 the industry faced a most serious crisis, during which period the public received an intensive education in the dangers which confronted the country's transportation system. It is small wonder, therefore, that investors, many of whom first became such under the stimulus of Liberty Bond subscriptions and war-baby industrials, should prove somewhat laggard in their attention to the rails.

Without entering into such problems as federal control of railways, etcetera, it may be well to review briefly the historical background of railroad financing. Only following the panic of 1893 and the extensive reorganizations of the late 90's may the transportation industry be considered to have emerged from the mushroom stage of rapid development and to have gained the status of a standardized and more or less developed industry. Between 1900 and 1914, railroads borrowed at an average rate of interest sometimes below 4%, never over 4½%. Their common stocks enjoyed high favor and the larger systems secured fully half of their new capital through sale of common stock, frequently well above par. With the war interest rates rose phenomenally until even the carriers, always able to borrow at better terms than other corporations, were forced to pay as much as 7% for their money. That such rates would be suicidal to an industry limited to a "fair return" of 5¾% is obvious. Stock financing was out of the question. Thus in 1917 New York Central's endeavor to sell new shares to stockholders proved a total failure. It was not until 1924 that a new offering was successfully accomplished.

This is the true answer to the dearth of new railroad financing referred to above. Only very recently has it been possible either to borrow on terms attractive to the industry as a whole, or to acquire additional partnership capital. To meet this situation the industry did simply what any sensible individual would do in time of financial

stress. It borrowed as little as was absolutely necessary, held dividends down to the minimum consistent with retention of credit, and made current income suffice for new capital insofar as was possible.

The roads did not, however, cease to maintain and improve their properties. Following the 1921-22 depression, the railroad managements as is well known, embarked upon an immediate program of improvement. In the last four years over 3 billion dollars has gone into additions and betterments. Over half of this colossal sum has been provided out of current income. Thus between 1922 and 1925 inclusive, the Class I roads returned approximately a billion dollars of undistributed profits to the business and an additional sum in excess of 650 millions through the depreciation account.

Moreover, not all of the story is revealed in these figures. Current charges to maintenance have been colossal. Under changed rules of accounting many forms of expenditures are now charged against income which would have formerly been considered a capital investment. As a result, depreciation has become more of a simon-pure bookkeeping item than ever. The operation of a railroad calls for continual replacement. On a well maintained, going property there is no depreciation. In the last ten years Class I Roads have added 2 billion dollars to capital surplus, after setting up a tremendous reserve for "accrued depreciation." Against a common stock investment of 6 billions the consolidated balance sheet of the large systems shows a surplus of over 3.5 billions, an equity of 60%.

In turning to rail common stocks as a medium for investment many purchasers have no doubt thought the yields at recent levels unattractive and prices rather high. This view can only find justification in the abnormally high return upon capital that has been obtainable in recent years. A return to the more normal prices which prevailed for capital prior to 1914 is, as previously pointed out, an almost certain expectation. It is possible that rail shares will not again sell on the bonanza basis of the 1902 and 1906 bull markets, although history has an extraordinary propensity for repeating itself. The more normal period which prevailed between 1907 and 1914 may be safely taken, however, as a gauge of what constitutes a fair yield upon standard rail dividend paying common stocks.

From recovery following the 1907 panic until the war, average yield on this class of security fluctuated between just about 4% and just about 5%. In comparison the current average yield of 5.60% from identical or equivalent securities is most favorable. As the long decline in railroad stocks which culminated in 1921 is generally dated from 1909, the period chosen for comparison may be regarded as ultra-conservative. Moreover, dividends in these years constituted a much fuller measure of earning power than at present. Thus in 1912-15 inclusive, cash disbursements to stockholders of Class I roads totalling 1224 millions constituted 80% of net income and 67% of earnings before depreciation. Cash dividends in the last four years of 1230 millions have been only about 55% of net income and 43% of earnings available before depreciation, and in 1925 but 49% and 38% respectively.

The potentialities of increased dividends to render more attractve new offerings of stock, to place the industry on an assured basis as respects its future financing, and to reward its owners for their small share in profits of recent years, are self-evident. Both because of the larger systems' preference for this form of financing and the rightfully prejudical attitude of the I.C.C. thereto, as indicated in the case of the Chesapeake & Ohio, it is a fairly safe assumption that stock will be the principal medium employed in the future acquisition of capital. The official attitude may be taken as a safeguard against the temptation to pyramid equity earnings upon too large borrowings. Under the less stringent regulation applying in the decade and a half prior to the war, the strongest carriers voluntarily secured at least half of their new capital in exchange for common stock. Hundreds of millions were realized in this way. Even including the weaker units but 55% of the capital invested in the industry was represented by debt, although it must be conceded reorganization had played its unfortunate but sound part in holding down this ratio.

Under the handicaps of recent years the percentage of debt has risen to over 58%. In other words, the funded debt of the Class I roads exceeds their preferred and common stocks by about 3 billion dollars, whereas experience has dictated that no more than 50% is desirable. A gradual attainment of this objective over the next few years is the logical expectation. While there will be some calling and conversion of loans, as well as wiping out of debt through merger with leased and controlled lines, and by refunding, the balance will be struck chiefly by increasing the preferred and common stock total in line with future needs for additional capital. The extent of the transportation industry's capital requirements is perhaps not generally appreciated. An extensive inquiry into the probable volume of expenditure on additions and improvements undertaken by the United States Chamber of Commerce in 1923 indicated an annual average outlay of $780,000,000. This estimate has been closely approximated in the past two years and for the not distant future may be conceived to represent a minimum rather than maximum figure.

It would be unfair to expect the industry to continue to finance itself out of earnings to the extent that it has in the last few years. As valuation by the Government draws toward completion, and the seal of official recognition is placed on the large surplus equities which have been created, a very considerable capitalization thereof in the form of stock dividends is to be expected.

The general investor may feel secure in following the lead of such large investors as Mr. James and others who have been less frank regarding their purchases, in chosing railroad stocks as a depository for his funds. Nor should he feel, on the assumption of a return to more normal costs for capital, that current prices are anything but cheap. He may even look forward with a good deal of assurance to such speculative attractions as are embraced in "rights" and the capitalization of the surplus equities which he has purchased.

The bottom of the railroad prosperity cycle was unquestionably reached in 1921; the peak should not be reached for some years.

Railroads Could Pay Much More in Dividends

Earnings of Class I Roads

Year	I Before Depreciation (in millions of dollars)	II After Depreciation (in millions of dollars)	Cash Dividends (in millions of dollars)	% of Column I	% of Column II
1912	452	401	340	75	85
1913	547	486	322	59	66
1914	424	351	302	71	86
1915	402	316	260	64	82
1916*	696	603	282	41	47
1916*	745	647	306	41	47
1917	700	593	320	46	54
1918**	...	387	275	...	71
1919**	...	447	279	...	62
1920**	...	431	272	...	63
1921	463	314	299	65	95
1922	522	370	272	52	74
1923	727	555	297	41	54
1924	743	562	320	43	57
1925 (est)	900	(est) 725	341	38	49

*Change in fiscal year. **Federal control and guarantee period.

April Railroad Earnings At High Rate

CLASS I railroads in April reported an increase in gross operating revenues of 5.5% and an increase in net operating income of 14.7%. These earnings represent an annual rate of return of 5.29% on rate-making property valuation compared with a return of 4.75% for April last year. For the first four months of the year, gross earnings increased 3.7% compared with the corresponding period of 1925 and net operating income increased 10.6%.

Railroads in the Eastern district reported good gains in both gross and net. In the Western district, the increase in gross was not as great, but these roads, as a whole, were successful in keeping down operating ratio and net earnings made a good showing. The Southern carriers showed approximately the same net as last year, a satisfactory exhibit, in view of the fact that April, 1925, was an exceptionally good month. The collapse of the land boom in Florida has not been an adverse factor, for while it resulted in some loss of business, this was compensated for by the lifting of freight embargoes which had been in effect throughout most of the winter months.

Many individual roads made exceedingly good showings. Earnings of *Kansas City Southern* are running at the rate of nearly double the amount earned on the stock last year and while this rate of increase will probably not continue throughout the year, it is conservative to estimate earnings for this system as high as $8 a share for the full year. *Kansas City Southern* is to be the holding company of the proposed Loree Southwestern system and at present levels the stocks has very good long pull possibilities.

Another road that is making excellent returns is *Reading*. Earnings were adversely affected in the first two months of the year by the anthracite coal strike, but these losses have already been more than made up and 1926 promises to be a banner year. When *Reading's* valuable equities are taken into consideration, including control of the Central Railroad of New Jersey, the stock appears undervalued at present levels.

Crop conditions along both the *Southern Pacific* and *Union Pacific* are unusually favorable. Both roads reported good increases in April and indications are that a very satisfactory showing will be made in the current year. Neither of these two stocks have (*Please turn to page* 464)

*Annual Rate of Railroad Earnings Based on the First Four Months of 1926

The following table gives the annual rate at which railroad earnings are running based on operations for the first three months of 1926 and allowing for seasonal fluctuations of traffic of each individual road.

Road	Net Operating Deficit	% Charges Earned	$ Per Share on Preferred	$ Per Share on Common
Atchison	....	....	....	18.00
Atlantic Coast Line	....	....	....	22.30
Baltimore & Ohio	....	....	....	14.00
Canadian Pacific	....	....	....	15.10
Chesapeake & Ohio	....	....	....	26.00
Chicago & Eastern Illinois	....	85	....	....
Chicago, Rock Island & Pacific	....	....	....	1.00
Chicago Great Western	....	....	1.20	....
Chicago, Mil. & St. Paul	....	100	....	....
Chicago Northwestern	....	....	....	10.80
Delaware & Hudson	....	....	....	14.40
Delaware, Lack. & Western	....	....	....	8.60
Erie	....	....	....	2.00
Great Northern	....	....	....	10.00
Gulf, Mobile & Northern	....	....	¶9.40	....
Illinois Central	....	....	....	13.70
Kansas City Southern	....	....	....	10.70
Lehigh Valley	....	....	....	8.00
Louisville & Nashville	....	....	....	17.40
Minn., St. Paul & S. S. Marie	....	100	....	....
Missouri-Kansas-Texas	....	....	....	§3.40
Missouri-Pacific	....	....	†16.00	....
New York, Chicago & St. Louis	....	....	....	17.00
New York Central	....	....	....	**13.50
N. Y., New Haven & Hartford	....	....	....	6.40
Norfolk & Western	....	....	....	24.00
Northern Pacific	....	....	....	7.60
Pennsylvania	....	....	....	6.32
Pere Marquette	....	....	....	18.50
Reading	....	....	....	11.90
St. Louis-San Francisco	....	....	....	18.00
St. Louis Southwestern	....	....	....	8.60
Seaboard Air Line	....	....	....	6.00
Southern Pacific	....	....	....	9.40
Southern Railway	....	....	....	17.30
Texas & Pacific	....	....	....	8.00
Union Pacific	....	....	....	13.00
Wabash	....	....	....	7.00
Wheeling & Lake Erie	....	....	35.00	....

*Earnings given in this table are not an estimate of the full year's results, but simply indicate the annual rate of earnings for the first four months.

¶Gulf, Mobile & Northern pfd. is entitled to 6% and there are 22¾% back dividends due. After deducting 6% on the preferred, the balance is equivalent to $3.50 a share on common.

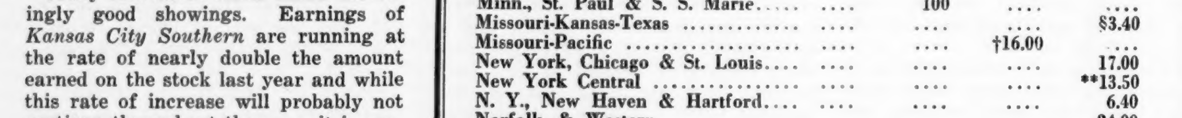
†Missouri Pacific pfd. is entitled to 5% and there are 40% back dividends due. After deducting 5% on preferred, balance is equal to $9.50 a share on common.

§Missouri-Kansas-Texas pfd. is entitled to 7%. After deducting 7% on pfd. and 7% on the 5% adjustment bonds which are convertible into preferred, the balance is equal to $3.40 a share on common.

**Does not include undivided surplus earnings of controlled lines which if included would bring earnings up to $19.00 a share.

SUMMARY OF CAR LOADINGS

CUMULATIVE—SOLID JAN. 1st TO MAY 15th—SHADED REMAINDER OF YEAR



Concentrated Supervision of the Public Utilities

Management and Holding Companies as an Asset to Industry

By J. GORDON FERGUSON

THE management and holding company has come to play a large part in the public utility industry. Few realize the great changes effected by these types of organizations. It is the purpose of this article to explain their functions and value to the public utility industry, as a whole. On the next page will be found a list of attractive securities for investment purposes.

TOTAL investments in electric power and light enterprises in the United States increased from $4,100,000,000 in 1920 to $7,500,000,000 at the end of 1925; gross revenues from $882,750,000 to $1,470,000,000. This indicated expansion in operations of companies in this industry has been accompanied by considerable extension in activities and influence of those public utility holding companies actually assisting in operating subsidiaries and management companies.

While the genesis of the holding company, as such, dates back many years, the public utility holding company has experienced its greatest growth in comparatively recent years. Organized, primarily, for the purpose of gaining the benefits of more favorable credit facilities in financing smaller and more or less isolated companies coming under its control, together with economies in operation resulting from concentration of supervision under centralized control and, greater stability in earnings through operating in widely separated localities, subject to different economic conditions, these holding companies have been prominent in development of operations to their present high state of efficiency.

Of outstanding importance has been the part played by these companies in forming extensive interconnections and in making available power and light facilities, at reasonable rates, to a larger number of communities than would have been possible had operating companies continued to function as independent units. Recent years have witnessed not only the combining of companies previously operated independently but, also, holding companies have merged with other holding companies, resulting in further concentration of operating supervision. In these activities, the so called management companies have been of importance.

Types of Management Companies

Typical of the original management company is an organization such as *Stone & Webster, Inc.* This organization had its inception in 1889 as a partnership of consulting engineers. Contracts were negotiated to design and supervise construction and equipment installation of power units; to furnish appraisals and general surveys of existing public service properties. Its activities were later extended to include actual construction of plants, and eventually, to undertake management of operating properties, purely from an engineering standpoint. To assist in financing companies under supervision, this management company later established a securities department of its own organization along regular investment banking lines, underwriting obligations of the operating company, the various issues of which were then distributed to the investing public. For that service the management company received the regular banking commission. In no instance did it possess actual control. Furthermore, activities of the management organization were not confined to companies under its supervision, its various classes of services being available to others.

Electric Bond & Share

The representative management company of today, however, is a vastly different enterprise. Activities of these companies have been extended until, at present, such a company as the *Electric Bond & Share* handles every conceivable phase of the public utility business, including financing, constructing, equipping, operating, accounting, auditing, legal, together with the matter of public relations. This organization has a tremendous engineering staff, devoting activities, wholly, to the public utility business, and confines its services to companies under its management, except in the case of American Gas & Electric Co. which it finances, only. Its sources of revenue are (1) fees for designing and constructing properties, (2) supervising operating agreements, (3) financing companies and marketing their securities and (4) dividends and interest from securities of various companies held. Financing activities involve expert assistance in establishing, on what they believe to be a sound basis, the financial structure of a given company prior to the public sale of securities, the latter being accomplished through regular investment banking connections established by the management company.

The *Electric Bond & Share Co.* has no direct relations with the public on its own behalf. Supervision is exercised over properties operating in 33 states of the union and five foreign countries, representing an aggregate capitalization of over $1,000,000,000, and annual gross revenues of approximately 230 millions. Controlling interest is held in no company operating in the United States.

This management company was organized in February, 1905, as a subsidiary of the General Electric Co., the latter, as the largest manufacturer of electrical equipment, being naturally interested in the fortunes of power generating and distributing companies. This relationship of the two companies was terminated in early 1925. The rise of *Electric Bond & Share Co.* has been truly remarkable and well reflects the progress in the public utility industry as a whole.

Activities of other management companies including *H. M. Byllesby Engineering & Management Co., J. G. White Management Co., Hodenpyl, Hardy & Co.* and *Albert Emanuel &*

Leading Management Organizations and the More Important Companies Which They Have Under Their Supervision

W. S. Barstow Management Association

General Gas & Electric

H. M. Byllesby Engineering & Management Co.

Standard Gas & Electric Co.

Standard Power & Light

Philadelphia, Co.

Electric Bond & Share Co.

American Gas & Electric Co. (financed only)

American & Foreign Power Co., Inc.

American Power & Light Co.

American Power & Light Corp.

Lehigh Power Securities Corp.

National Power & Light

Day & Zimmerman

General Public Utilities Co.

Albert Emanuel & Co.

National Electric Power Co.

Hodenpyl Hardy & Co.

Commonwealth Power Corp.

Northern Ohio Power Co.

Northern Ohio Power & Light Co.

Stone & Webster, Inc.

Engineer's Public Service Co.

Puget Sound Power & Light

J. G. White Management Co.

Associated Gas & Electric

Associated Electric Co.

Public Utility Securities Which Offer an Attractive Yield

Management Company	Companies Supervised	Their Most Attractive Bonds and Preferred Stocks	Price	Yield
H. M. Byllesby E. & M. Co..	Standard G. & E. Co......	6% notes, 1935.....	101	5.80%
		Deb. 6s, 1951.......	100	6.0
		7% prior pref......	103½	6.76
		8% preferred.......	54	7.40
Electric Bond & Share Co....	American Pow. & Lt. Co...	Deb. 6s, 2016......	100	6.0
		6% preferred.......	93	6.45
	American & Foreign Power Co.	$7 preferred........	91	7.69
	Electric Pow. & Lt. Corp..	$7 preferred........	95	7.36
	Lehigh Power Sec. Corp....	Deb. 6s, 2026.......	94½	6.34
	National Pow. & Lt. Co....	Income 7s, 1972....	104	6.70
		$7 preferred........	100½	6.96
Albert Emanuel & Co........	National Electric Power Co.	Secured 6s, 1945...	96	6.35
		7% preferred.......	94	7.44
Hodenpyl, Hardy & Co......	Commonwealth Power Corp.	Gen. Lien & Ref. 5, 1939	94	6.70
		6% preferred.......	86½	6.93
	Northern Ohio Power Co...	10-year 7s, 1935....	95	7.75
Stone & Webster, Inc........	Engineers P. S. Co........	$7 preferred........	104	6.73
J. G. White Management Co..	Associated Gas & Elec. Co..	Associated Electric conv. 5½s, 1946..	95½	5.90

Co., together with *Stone & Webster, Inc.*, cover many phases of the public utility business, but none exceed in scope the *Electric Bond & Share Co.*

The management company having supervision over a group of properties sufficiently large, as in the case of holding companies, places at the disposal of the operating company an organization of highly trained and efficient experts, which could not be obtained exclusively only at a much higher and usually prohibitive cost. This form of administration has the further advantage through not involving actual ownership on the part of the management company, and relations may be terminated by the employing utility. However, at least one case exists where the management company is controlled by the managed company. While the sound management company does not offer the advantages of earnings stability through diversity as in the case of the holding company, it does insure sound financial and business methods which make for stability. On the other hand, many of the holding companies are themselves under supervision of management companies which further consolidates the advantages of centralized administration.

Great Influence

Certain of the holding companies, notably *North American Co., Middle West Utilities Co., Cities Service Co., Southeastern Power & Light Co.* and *United Light & Power Co.*, are under the management of their own officials. These two forms of administration, management company and holding company, have proved so successful that today they direct together a vast majority of all privately owned utility properties in the United States, and, as stated, have been responsible, to a pronounced degree, for the extensive development in the public utility industry to date. Both forms appear to be permanent fixtures in the field.

The Four Chief Aspects

Public utility history has been divided into periods in accordance with the various problems confronting the industry. Those periods may be called (1) pioneering, (2) engineering, (3) commercial and (4) public relations. Pioneering covers the period when the industry was in its infancy, and main activities consisted of establishment of units in as widely separated territories as possible with the crudest of apparatus. Organizers of these properties were necessarily not the trained experts we have today, and had no permanent interest in the individual properties, being off to other fields as soon as the newly organized property was functioning on somewhat of a stable basis. However, the vision and courage of these pioneers cannot be minimized. This period existed up to about thirty years ago.

Engineering problems were next given attention resulting from the realization that existing equipment was

crude, inefficient and wholly inadequate. Intensive studies resulted in development of something approaching the present types of equipment. In the last fifteen years many changes have been effected in the size and efficiency of units, but this has not necessarily involved outstanding fundamental changes.

The commercial period embraced active efforts in developing large power business resulting in most of the small competing plants and many large industrial power installations being abandoned and central station service substituted.

The matter of public relations is demanding increasing attention of public utility managements. Experienced managements, in seeking new localities through which to broaden their activities, undertake to scrutinize closely the existing relations between the local utility company and the communities, and if friction is present, such conditions are likely to indicate the desirability of concentrating on development, elsewhere, of efficient and adequate service at reasonable rates. On the other hand, the early financial history of public utilities was not an open book. It was not to be wondered at, therefore, that the rapid expansion on the public utility business served to emphasize the popular impression of undue profits. It gradually became apparent to public utility managements that publicity should be given to facts concerning their business. This resulted in a wider diffusion of public knowledge through the development of extensive publicity programs, involving both local and national activities.

Public relations departments have been established to handle publicity work and otherwise to establish more intimate contact with public officials, customers and others. These activities have accomplished much toward a clearer understanding of the interdependence of public utilities and the consumer, and a wider distribution of public utility securities particularly through customer-ownership campaigns, has further contributed to that end.

The perplexing question of equitable rate structures is particularly difficult of solution. The core of this problem appears to be the failure of communities within reach of facilities to utilize fully the service at their disposal, and where connections are made, insufficient current is consumed to justify expenditures in distribution facilities, meters, accounting and many other items. A large number of small customers are served at less than the cost of service rendered including a reasonable return on investment. When a company undertakes to serve a community it must be prepared to render adequate service under the terms of its franchise and an excessive electric energy reserve capacity above requirements involves the unprofitable employment of capital. This represents one of the outstanding problems in establishing equitable rate structures permitting efficient service at a fair cost to the consumer and, a fair return on investment of public utility owners.

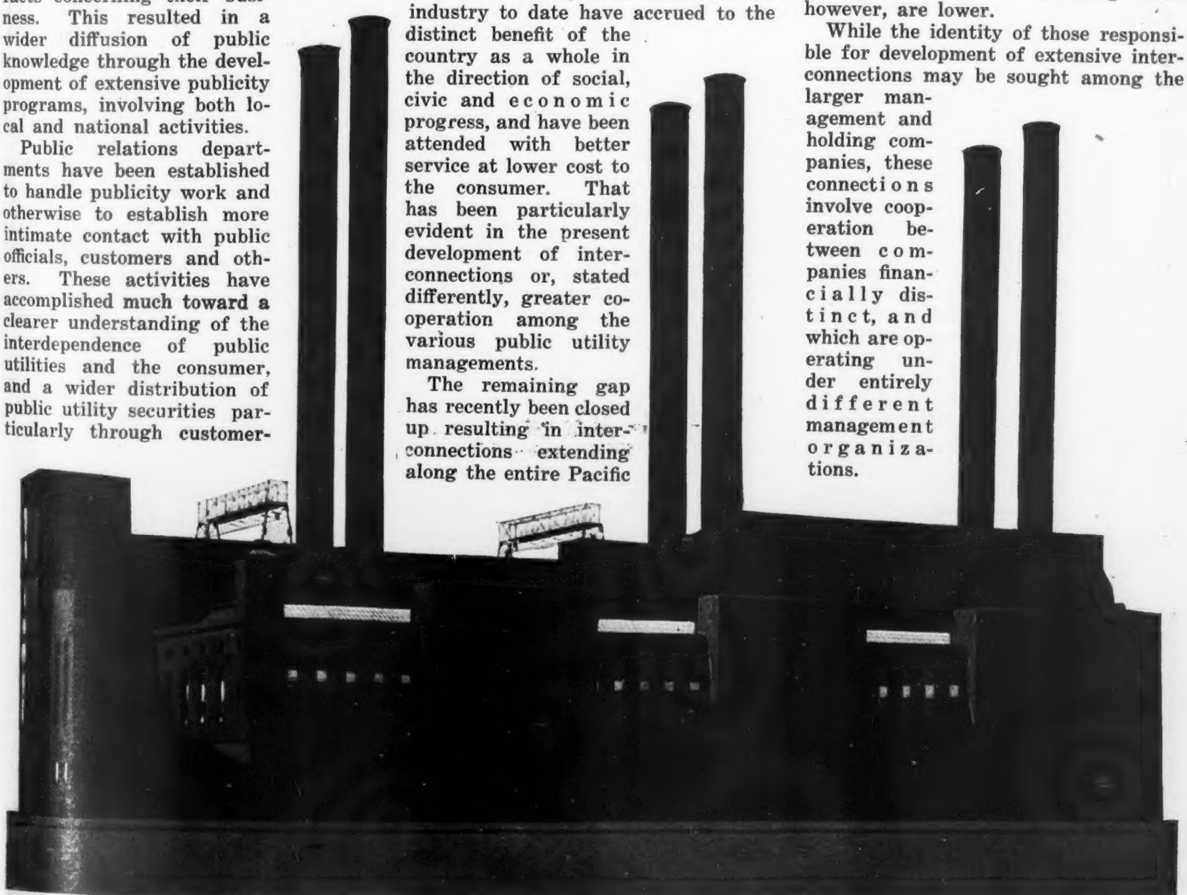
Educating the public to difficulties of that character is hoped to be accomplished through fostering more intimate contact between the parties concerned. Under the progressive policies of the various management companies and, holding companies, much has been accomplished toward fulfilling the obligations of the public utility operating company to the consumer.

On the whole, attainments in the industry to date have accrued to the distinct benefit of the country as a whole in the direction of social, civic and economic progress, and have been attended with better service at lower cost to the consumer. That has been particularly evident in the present development of interconnections or, stated differently, greater cooperation among the various public utility managements.

The remaining gap has recently been closed up resulting in interconnections extending along the entire Pacific Coast from San Diego, Calif., through Seattle, Wash., north to Vancouver, B. C. A connection exists at Seattle extending east to Billings, Mont. In the East, practically a continuous transmission line extends from Boston to Chicago, thence south through Louisville, and further connections are proposed which will tie up that city with Muscle Shoals, the latter now being tied up with Pensacola, Fla., on the Gulf of Mexico. It takes little imagination to foresee the complete interconnection, in the not distant future, of all important centers east of the Mississippi River. Meanwhile, developments go on to the west.

Many claim to see in these developments an attempt on the part of large utility interests to monopolize power resources through the interconnection of existing large systems, particularly those utilizing water power on a large scale. Others view it as an effort to promote more efficient service, at less cost, by utilizing available water power to its maximum extent, through the wide interconnection of large power supply systems but with resultant benefit to the consumer. However, fuel generated power and light maintains its percentage of the total as against water power, these standing at 66% and 34%, respectively, representing practically no change in recent years. Fuel generation enjoys an advantage in initial capital requirements, and increasing economies in fuel consumption. Water power operating costs however, are lower.

While the identity of those responsible for development of extensive interconnections may be sought among the larger management and holding companies, these connections involve cooperation between companies financially distinct, and which are operating under entirely different management organizations.



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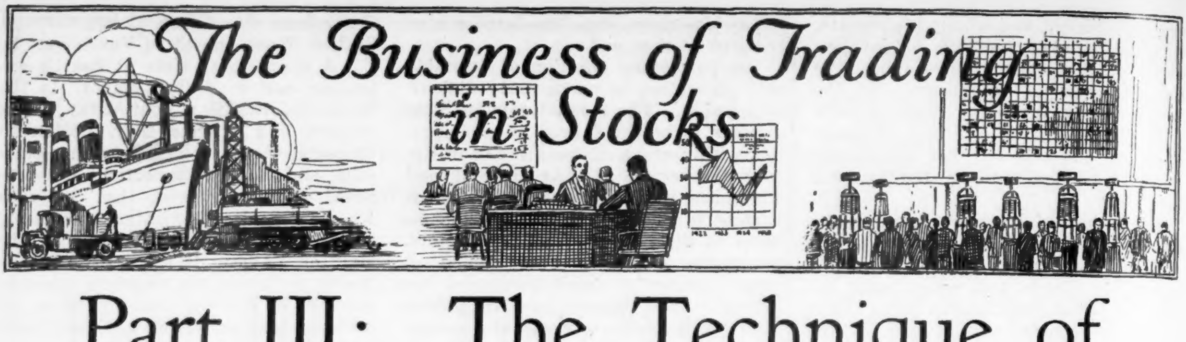
Colfax Power Station Duquesne Light Company



Part III: The Technique of Manipulation

A Series of Articles for Investors By JOHN DURAND

NEXT to understanding and correcting the handicaps of his own psychology, the trader will find it most profitable to gain a thorough understanding of the methods employed by veteran operators and skilled manipulators. Not that he can employ all these methods; for manipulation rests partly upon the ability to control financial events, partly upon the operator's reputation, and partly upon the influence that heavy trading has upon prices. But the outsider of more limited resources should at least learn how to recognize the presence of leadership in a stock and the direction in which its price is being manipulated. One finds smooth traveling in following the steam roller, but a small bank roll is likely to be badly flattened in a head-on contest.

Preliminaries

Although experienced operators sometimes err in sizing up the situation, it may be accepted as a general rule that no manipulator, or group of insiders, will undertake a campaign unless general conditions point to the probability of bringing it to a successful conclusion. After a severe and prolonged decline in the general market, when a number of good stocks are selling far below their intrinsic worth, and indications point to gradual improvement in the outlook for general business, investors, individual speculators and pools begin to look around for bargains.

At such a time we will say that one or two individuals learn from inside sources that the Consolidated Electric Co. has not experienced anything like the slump in earnings that the public anticipated; that new orders recently received will enable the company to make a very satisfactory showing in its next published report; that over half of the stock is closely held for control, about 50% of the remainder in the hands of strong investors who have no intention of selling at any price, and the balance—about 25% of the entire issue—held in the names of various brokerage houses for the account of speculators. In this instance we will say that the company's officers and directors are opposed on principle to engaging in active manipulation of their own stock, but feel themselves under no obligations to give out any information to the public beyond that contained in the company's regular periodic reports.

These are almost ideal conditions. If the floating supply (shares held by brokers for speculative account) were too small, the manipulator might find it difficult to distribute his line after accumulating it, for the news would soon spread that the stock was cornered and people would be afraid to touch it.

In this, as in many other instances, a first class analyst might have predicted the improvement in the company's affairs without recourse to inside information, and a pool might have been formed to put the price up on the analyst's forecasts—this has been done in more than one instance—or the stock might have been allowed to drift along until publication of the official account of improved conditions led investors and the public to take the stock in hand. However, friends of the management are on the ground first, in our example, and proceed to take advantage of their advance information.

The next step is to organize a pool composed of other speculators who contribute an agreed upon sum of money for the purpose of accumulating a sizeable block of stock in the open market, to take advantage of the information obtained.

If none of the pool members are sufficiently experienced in conducting an operation of this character they will doubtless seek the services of some successful manipulator as manager. After satisfying himself that conditions are as represented he will probably demand, as compensation for his work, a graduated call on a considerable block of stock. The pool, having as yet no stock to sell, must obtain these calls from stockholders who have stock that they would be willing to dispose of at higher prices. In our example, the only stock available for this purpose would be held by speculators who, having been hung up with the stock, would very likely be only too glad to give the pool calls as an inducement to put the stock up high enough for them to unload. Sometimes, however, a pool may have to pay for such calls and charge the cost to expense.

The accompanying graph is based on the fluctuations of a leading stock whose name we prefer not to mention. For convenience we shall call it "Consolidated Electric."

Let us say that Consolidated Electric is selling at this time at 93. The pool manager might insist that the following schedule of calls was fairest to all concerned: 2,000 shares at 89, 2,000 at 91, and like amounts at 93, 96, 99, 102, etc., up to 114; 20,000 shares in all, at the average price of about 101. It might be well to obtain these calls from one or two large holders who could be taken into the pool. If the pool manager is disposed to be cynical he might even insist upon having the stock against which calls were issued tied up under a trust agreement; or he might be content with having the calls guaranteed by the issuer's brokers.

Having ascertained that a sufficient supply of cash and credit will be available as needed, the pool is now ready to begin operations.

Accumulation—1st Stage

The pool's brokers usually have little difficulty in ascertaining what stock is for sale a little above the market, how much is wanted below current prices, and what stop orders are likely to be reached by a sharp drive up or down.

If there is much stock hanging over the market, the pool manager may proceed to offer the stock down. Frequently he will sell a few thousand shares short, and then send two or three brokers into the crowd to offer large amounts quickly below other stock that may then be offering. Outside brokers, seeing this scattered selling, will withdraw their bids temporarily while still other brokers, under instructions from the manipulator, will take whatever

stock is offered by outsiders, without bidding for it, but taking care not to purchase stock offered by brokers acting for the pool.

The drive may frighten outside holders into disposing of their holdings to the pool's brokers. Having taken all outside stock offered on the drive, including shares sold in executing whatever stop orders may have been uncovered, the manipulator sends another broker in to bid for whatever stock he can obtain under the price of 93. He may bid for only 100 shares, but be willing to take 5,000 if offered. During the drive, while the pool is only picking up, in scattered lots, whatever stock may be offered, accumulation is going on "under cover," and at such times outside brokers are likely to report to their customers that the support looks very poor. It all looks like scattered buying, and not even the specialist knows where the stock is going.

During this drive, and the subsequent rally to 93, "they" may have acquired 20,000 shares on balance after covering shorts. The same process will then be repeated; but, as much of the more urgent outside selling naturally took place during the first drive, transactions will be lighter on the second drive, and the pool may succeed in acquiring only 15,000 shares and the price will probably not quite reach the low point recorded on the first drive. On the third drive, transactions will be still lighter and the low price perhaps a point above that reached on the second dip, while the pool may succeed in picking up only 10,000 shares on balance. On the final drive the price may decline only two points, and no more than 5,000 shares added to the pool's accumulations.

During the later drives, most of the selling will come from tired-out holders who have grown discouraged with the dull market and failure of their stock to make any progress, and also from professionals who may have been tempted to sell short on the theory that a stock which fails repeatedly to break through the old high is likely to decline sooner or later.

Accumulation is thus a quite different operation from plain buying. It is a slow process, and may cause the stock to remain within a trading area for weeks, or even months, depending upon the size of the line to be accumulated, and the behavior of other stocks. But the full line can seldom be accumulated at the bottom. In this instance we have assumed that 50,000 shares were acquired during the first stage of the manipulation. If the full line is to be 100,000 shares, the remaining half must be accumulated on the way up.

The pool manager seldom acquaints members of the pool with his immediate intentions, and one may observe by way of interesting comment, that pool members sometimes buy stock that the manager sells short and are thereby forced to either carry long stock down during the ensuing drive or else sell it back to him near the bottom at a loss. This is rather ironical; but, after all, the manager did not promise to put the stock up *immediately* from 93.

Cleaning Up The first stage of the accumulation has taken place during that portion of the accompanying graph lettered A to B. The graph will repay thorough study and should be preserved for future reference as we shall have occasion in later installments to draw attention to more than one interesting feature that it illustrates.

Having secured all stock obtainable below 93, the only way remaining for acquiring more stock is to take everything offered above that price. By this time the amount offered for sale at higher figures has probably grown to sizeable proportions. So the manipulator causes the stock to open down a full point one day and proceeds for several days to reach for whatever is offered, taking every share available up to par.

The volume is exceptionally heavy between 93 and par, because speculators immediately take interest when the price breaks through its old high. Floor traders, who are always watching the technical condition of stocks, are the first to rush in with their purchases; because they can see that the buying is now surely better than the selling. Other professionals, who had been led by the recent dullness to put out short stock, now hasten to cover. Outside, bob-tailed, or trailer pools organize hurriedly to take on a line and thereby profit by the new tide. Large operators, seeing that big blocks of stock, thrown on the market to test its strength, are well absorbed, turn around and cover and go long.

All this activity, with heavy volume and strength, starts people inquiring. But no one has any explanation to offer except, perhaps, that it is a professional drive against the shorts. Officers and directors of the Consolidated Electric Company, who may or may not have been given calls on the stock at higher prices, state laconically when interviewed that they have nothing to say.

The public, hearing no news to justfy the movement and being told that a splurge of short covering seldom goes very far, still holds aloof. The pool manager now finds himself with more company than is congenial and the pace too fast to suit his purposes, so he commences to feed out short stock again to check the movement and place himself

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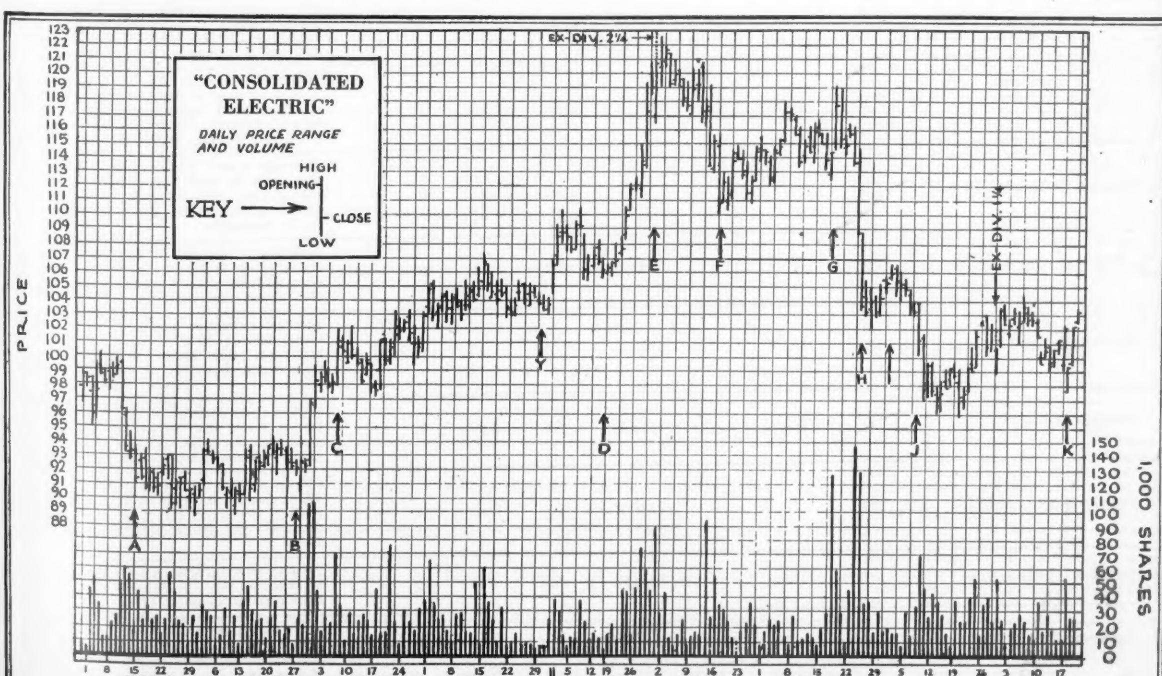


Seeking Opportunities Among Preferred Stocks With Accumulated Dividends

Merits and Demerits of All Listed Issues Revealed

BECAUSE investors have been led to believe that the cumulative preferred stock offers greater assurance of continuous dividend payments than the non-cumulative issue, the former greatly outnumber the latter. That this theory of dividend safety is not well founded will be evident from consideration of the number of cumulative preferred stocks whose dividends are in arrears at the present time. On the other hand, issues of this type freqently offer opportunities for substantial profit, particularly where the amount of arrears is large. Such opportunities, obviously, are confined to stocks of companies whose earning power and financial condition is improving sufficiently to justify action looking toward the payment of back dividends soon or later. A careful study of the following tabulation of all listed preferred stocks with accumulated dividends will indicate where such opportunities may reasonably be anticipated and, incidentally, where prospects are more or less dubious.

Issue	Div. Rate	Payments Suspended	Payments Resumed	Amount Unpaid	Earned $ per Share 10 Yr. Ave.	Earned $ per Share 1925	Recent Price	Yield %	COMMENT
Advance Rumely	a3%	a	a	15%	$3.67	$4.32	50	6.0	Company has been benefited by recovery in farm implement industry, but relatively weak cash position suggests improbability of early change in div. policy. High enough for present.
Amer. Agric. Chemical	6%	7/15/21	..	31½%	6.71	7.19	59	..	Still has profit and loss deficit of 17.86 million dollars, aftermath of fertilizer depression, which must be eliminated before dividends can be considered. Long pull speculative possibilities.
Amer. Hide & Leather	7%	4/1/21	..	150%	3.52	4.41	45	..	Under recapitalization plan issue of 3.5 millions 8% preferred takes precedence over this issue, now hopelessly in arrears. Neither outlook for industry nor company itself encouraging.
Amer. Writing Paper	7%	7/1/13	..	179%	nil	def	3	..	Difficulties culminated in receivership October, 1923. Has struggled for years with over generous capitalization. Drastic reorganization planned. Shares undesirable.
Am. Zinc, Lead & Sm.......	$6	2/1/21	..	$33	8.87	def	35	..	Speculative issue having doubtful prospects. Company long past its prime, unable to show satisfactory results despite fair prices for metals in past year. Liquidation of back divs. remote.
Booth Fisheries	7%	1/1/21	..	39½%	1.72	5.70	49	..	Company's business was demoralized as result of conditions growing out of war. Financial problems relieved and earnings improved but has long way to go to consider action on pfd. divs.
British Empire Steel 1st "B".	7%	5/1/24	..	15¾%	b3.39	c def	14	..	Holding company controlling Canadian steel mfg. and coal and iron mining companies. Capitalization seems excessive. Earning power uncertain. Reorganization likely.
British Empire Steel 2nd.....	7%	..	..	33¼%	b nil	c def	3	..	No. divs. ever paid and none in prospect. Both first and second preference stocks are highly speculative and should be avoided.
Case (J. I.) Thresh. Mch....	7%	4/1/24	4/1/26	7%	11.56	21.49	106	6.5	Free of bonded and floating debt. Strong working capital position. Paid 7% on account of back divs. in Jan., 1926. Improved earnings re-establish issue on medium-grade investment basis.
Central Leather	7%	7/1/21	..	36¾%	3.72	4.40	57	..	Profit and loss deficit of 19.1 million dollars shows acute need for reorganization. Such reorganization would improve position of preferred. However, uncertain income from leather business makes issue decidedly speculative.
Chicago & East. Illinois......	6%	..	..	15%	d nil	0.73	43	..	Underwent drastic reorganization in 1920 but handicapped by virtue of large traffic in soft coal and intensive unionization of mining territory served, though road has merger prospects. Uncertain speculation.
Chicago & Great Western....	4%	1/20	..	42%	def	1.34	21	..	Capitalization per mile is moderate, but road's earning power is low and little margin is left after fixed charges. Merger prospects nebulous. Divs. remote. Not attractive.
Cuba Cane Sugar Conv......	7%	7/1/21	..	36¾%	7.03	1.47	36	..	Will face problem of refunding over 25 millions bonded debt in 1930. Interest charges rather burdensome. Divs. remote. Unattractive though shares would probably respond to improved sugar prices.
Durham Hosiery	7%	11/4/24	..	12¼%	e def	2.50	57	..	Southern manufacturer of silk hosiery, etc. Earning power highly erratic, and on whole unimpressive. Financial condition could be improved. Inventories heavy. Doubtful speculation.
Denver & Rio Grande........	6%	..	..	13½%	f	6.52	43	..	Position of road improved by reorganization in 1924. Unpaid interest on general mortgage bonds precludes action on pfd. divs. Indefinitely but shares are not without long range speculative appeal.
Emerson Brantingham	7%	2/1/21	..	66½%	def	def	9	..	Suffering from top-heavy capitalization. Pfd. to be exchanged share for share for Class A stock under proposed reorganization plan. Unattractive.
Goodyear Tire & Rubber......	7%	1/1/21	3/11/25	29¾%	h11.65	29.45	105	6.6	Has made marked progress since 1921 collapse. Improvement in earnings in recent years foreshadows ultimate action in respect to liquidation of back divs. Attractive spec-vestment.

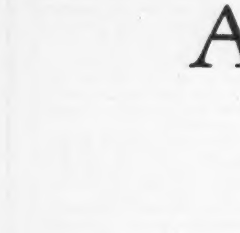
Issue	Div. Rate	Payments Suspended	Payments Resumed	Amount Unpaid	Earned $ per Share 10 Yr. Ave.	Earned $ per Share 1925	Recent Price	Yield %	COMMENT
Gulf, Mobile & Northern	6%	..	g	20%	2.92	11.37	104	5.7	Road in good physical and financial condition. Steady gains in traffic and revenues reflected in liquidation of 4¼% on account of div. arrears in Jan., 1926. Attractive spec-vestment.
Hanna (M. A.) 1st..........	7%	6/20/25	..	7%	no data	1.10	46	..	Engaged in managing iron ore and coal companies and acts as sales agent for such concerns. Earnings have shown great irregularity. Prospects uncertain. Not recommended.
Indian Refining Co...........	7%	3/15/22	..	31½%	j def	15.33	91	..	Highly irregular record. Policy of centralizing operations in territory adjacent to Lawrenceville, Ill., refinery seems to have resulted in betterment of position but stock is purely speculative.
Int'l Agricultural Corp.......	7%	..	2/15/26	14%	k2.76	m11.01	83	8.4	Issued under reorganization plan of 1923, which restored co. to sound financial footing. Shares are quite speculative, however, and not especially attractive now in view of prospects for industry.
Int'l Mercantile Marine	6%	8/1/23	..	63%	n15.52	def	38	..	Status entirely speculative. Prospect for resumption of divs. exceedingly remote. Sale of White Star Line should result in benefits but has long way to go to show income available for preferred.
Jewel Tea Co.................	7%	2/1/20	4/1/25	25¼%	6.22	26.38	119	5.9	Has staged strong come-back in past three years and appears to have promising outlook. Div. arrears being gradually liquidated and outstanding shares reduced through redemption. Attractive.
Kelly-Springfield Tire 1st	6%	7/1/24	..	13½%	34.39	49.24	63	..	Improvement in earnings and financial condition shown last year, but company lacks diversity of output, being solely tire producer and has heavy sinking fund and interest charges to meet.
Kelly-Springfield Tire	8%	5/15/24	..	18%	15.32	22.80	55	..	First preferred is the better speculation owing to prior claim on earnings, but div. prospects are cloudy in either case. Better opportunities available elsewhere.
Market Street Railway Prior..	6%	4/1/24	..	25½%	h7.67	5.96	40	..	Earning power low. Fixed charges increased since 1921. Small likelihood that divs. will be resumed for some time to come. Entirely speculative.
Market Street Railway	6%	..	..	31½%	h3.90	nil	26	..	No divs. ever paid. Sole speculative attraction in this and prior preference issues lies in possibility that properties may ultimately be taken over by City of San Francisco at fair price.
Missouri Pacific Conv........	5%	..	..	38¾%	n0.98	10.65	85	..	Has embarked on ambitious program of expansion and made important acquisitions in recent years. Strengthened earnings and financial position make issue an attractive speculation for long pull.
Otis Steel Co................	7%	10/1/21	..	33¼%	j def	15.90	91	..	Recapitalization plan proposes exchange of 1.33¼% shares in new 7% cum. prior pfd. for each share of old on approval of shareholders. Has figured in merger rumors. Questionable speculation.
Panhandle Prod. & Ref. Conv	8%	10/1/23	..	22%	e0.51	def	99	..	Minor Mid-Continent producer and refiner which has taken new lease of life as result of developments in Hutchinson Co., Texas. Future not well defined, however. Commitments entail risks.
Pierce-Arrow Motor Car	8%	5/31/21	7/1/26	40%	0.44	16.30	103	7.8	Divs. resumed with payment of $2 quarterly July 1, 1926. Status very materially improved both in respect to financial condition and earning power since 1921 collapse. Attractive speculation.
Pierce Oil Corp. Conv.......	8%	5/15/22	..	36%	no data	no data	19	..	Now holding company for Pierce Petroleum Corp. Pfd. divs. wholly dependent upon income received from latter, whose record to date offers little hope for resumption of payments.
Producers & Refiners	$3.5	8/4/25	..	$3.5	o23.25	p21.71	35	..	Control acquired by Prairie Oil & Gas in 1923. Apparently increasing investment in fixed assets at expense of working capital. Current liabilities exceed current assets. Div. outlook exceedingly dubious despite wide margin of earnings over requirements.
Pittsburgh Coal Co...........	6%	3/24/26	..	1½%	nq7.60	def	71	..	Owns valuable soft coal properties. Pfd. has high equity but earnings seriously affected by difficulties of industry last year. Unpaid divs. bear interest at rate of 5%. Fair speculation.
Robert Reis & Co. 1st........	7%	3/21	4/1/26	35%	r8.93	15.50	81	8.6	Mfrs. and distributes men's underwear, hosiery, sweaters, etc. Earnings record highly erratic and, on whole, not impressive though marked improvement shown last year. Speculative issue, not recommended.
Standard Plate Glass	7%	10/1/25	..	5¼%	no data	3.80	45	..	Results shown over period of years, but more especially in past year, indicate company has been unable to hold own against competition. Unattractive speculation.
Vulcan Detinning Co........	7%	3/31/21	1/20/23	27¼%	e6.76	14.55	88	8.0	Earnings derived from mfg. of detinned steel billets, tin oxide, etc., are subject to very wide variation, hence shares must be considered correspondingly speculative, though arrears are gradually being paid off.
Vulcan Detinning Co. "A"..	7%	3/31/21	1/20/23	12¼%	e6.76	14.55	50	14.0	Issued in 1920. Has same rights as regular preferred, subject to right of latter to receive divs. accumulated prior to June 15, 1920. Considerable risk attached to commitments in either issue.

a—Entitled to 6% cumulative div. Payments reduced from 6% to 3%, Aug., 1921. b—Four years ended Dec., 1924. c—1924. d—Four years. e—Six years. f—Reorganized 1924. g—Initial div. of 1% paid 11/15/23. h—Five years. j—Seven years. k—Two years. m—Year ended June 30, 1925. n—Nine years. o—Eight year ave. without deduction for depletion or allowance for participation clause. p—Before depletion. q—On combined preferred and common stocks. r—Three years.

A "Melon" for Pullman Stockholders?

Asset Value of Stock—Accounting for the Advance in the Shares—Earnings and Their Outlook

By ANDREW G. MORTON



AN issue which for many decades stood in the front ranks of common stock investments has had its investment status restored after being temporarily threatened. This in its broad aspects is the story of Pullman Company stock in recent years. In 1920 and 1921 the shares sold below par for the first time this century. At that time it was freely predicted in many quarters that changing conditions had placed the earning power of the company on a lower stratum, and that the long established $8 dividend rate, formerly covered by earnings from car operations alone, could be maintained if at all only through the additional income derived through manufacturing operations.

How different is the situation at present! The stock holds near its high price for the last 16 years, above 170, at which level the yield is less than 4.7%. Not only did income from sleeping and parlor car business and outside investments in the last fiscal year show a comfortable margin over dividend requirements, but there was a substantial equity in the undistributed earnings of the car manufacturing subsidiary, which, if included, would have increased per share earnings from $11.68, the figure actually reported, to $14.32. The manner in which gross revenues from car operation are steadily gaining leaves little room for uneasiness on the score of safety of dividends, especially in view of the likelihood that earnings of the subsidiary should be considerably larger when a more normal demand for railroad equipment develops. In fact, the question uppermost in the minds of investors for some months past has been at what time and in what form a stock dividend or special distribution of some sort will take place. Such anticipations are not altogether unreasonable considering the low yield basis on which the shares consistently sell.

The management, however, has repeatedly stated that no readjustment of capitalization nor change in the dividend rate was contemplated in the near future. One of the directors even publicly deplored the fluctuations to which the stock was being subjected on the grounds that an investment issue such as Pullman should remain relatively stable around a level where a yield consistent with prevailing conditions in the money market is provided. The belief persists in investment circles, nevertheless, that a revaluation of assets more in line with actual values cannot be postponed indefinitely.

That Pullman's assets, as carried on its books, are very much undervalued, there is no room for doubt. Thus, 8,510 cars are given a depreciated value of only slightly over $12,000 a car, a figure very much below cost of replacement. The wholly owned capital stock of the Pullman Car & Manufacturing Corp., with a par value of 50 millions, is carried at a book valuation of only $36,779,964, or 73% of par. The ultra conservatism of this figure is readily apparent when it is realized that the subsidiary in the twelve month period corresponding to Pullman's fiscal year earned 6.8 millions after all charges, of which amount 3.2 millions were paid out in dividends to the parent company and represented a portion of the latter's total income. Pullman not only has the benefit of a return not far below 20% upon its nominal investment, but likewise possesses a 100% equity in 18.7 millions cash, government and other negotiable securities owned by Pullman Car & Manufacturing. This item in itself accounts for more than 50% of the book value of the stock.

It would seem as if Pullman might well attempt some upward revision in these asset values, if only to facilitate any future action looking toward a more adequate return on the investment through higher rates for its service. It is estimated that the present return is less than 5% on a fair valuation. Any misconception as to exorbitant profits derived from Pullman service are quickly dispelled by the actual figures which show only 27 cents net for each revenue passenger carried, and 7 cents for each revenue passenger carried 100 miles. On this basis, a single passenger on a normal one night's run, such as between New York and Boston, would yield the company around 16 cents.

Of course, opposition on the part of the Interstate Commerce Commission might arise in the event of a petition for higher rates on the strength of the marking up of assets, especially in view of Pullman's large earning power. It is this factor which has probably more than anything else deterred the company from making such a move. Good earning power, however, does not affect the principle involved. It is

Pullman Company	Year Ending July 31				
	1921	1922	1923	1924	1925
Capital Stock (mil.)	120	135	135	135	135
Share Earnings	5.10	3.16	10.29	11.56a	14.32a
Cars Owned	7,750	7,674	7,665	7,791	8,510
Revenue passengers carried (mil.)	34.9	31.4	33.3	34.3	34.5

a—Before special deductions of 2 millions in each year. 1925 figure includes subsidiary earnings as in other years for purposes of comparison, although officially undistributed earnings are now omitted.

made possible by operating efficiency, and such an attitude on the part of the authorities is in the nature of penalizing superior management and efficiency. A parallel case would be the refusal to grant an increase in freight rates to western railroads on the grounds that some particular road such as Atchison can earn substantial sums on the present basis.

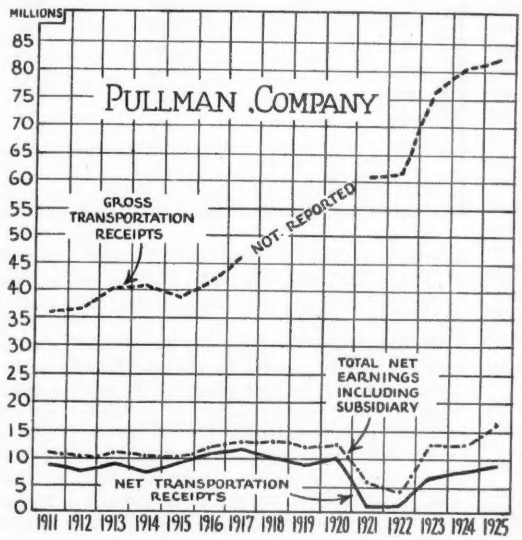
Pullman has had the benefit of a rate advance only once in its history, in 1920, and this increase was quite out of proportion to the substantial rise in material and labor costs. In this connection, it should be noted that the "Pullman surcharge," continuation of which is being so actively contested by certain interests and upheld by the railroads, goes in its entirety to the railroads, and is of no assistance whatever to the Pullman Co. In fact, its elimination, although of questionable justice, would undoubtedly stimulate business to some extent at any rate, and thus redound to the benefit of the company.

The car manufacturing facilities were greatly expanded in 1921 through the acquisition of the Haskell & Barker Car Co., Inc. This was paid for by the delivery of 165,000 shares of Pullman stock. There is no data available to indicate exactly the enhancement in earning power effected through this transaction, but it may be assumed to have been a highly profitable move, judging from the increase in average income from car-building operations. In round numbers, this average is 6 million annually as against 3 million for several years prior to the inclusion of Haskell & Barker. If we take 3 million as a fair basis of Haskell & Barker's contribution to the net earnings of the consolidation, a percentage of about 10.5 to the present market value of 165,000 shares of Pullman is shown. Calculated on the basis of the market price at the time of the transaction, which was around par, this ratio becomes 18.2%. It is evident, therefore, that this investment brought returns well in excess of the dividend charges on the additional capital obligations created.

The control of ample car manufacturing facilities, in addition to being a lucrative source of outside income, is of decided benefit in another respect. Pullman can purchase its equipment substantially cheaper from its subsidiary than it would be able to do from unaffiliated concerns, thereby bringing about a marked reduction in its own costs of operation. The output of Pullman Car & Manufacturing of course extends far beyond the requirements of the parent organization. Its highly diversified character may be judged from a glance at the orders standing on the books during the early months of the current year. Included in the list were coaches, mail cars, baggage cars, dining cars, observation cars, refrigerator cars, ore cars, box cars, gondola cars, parlor cars, postal cars, club cars, general service cars, and various types of combination cars.

In an effort to account for the persistent strength in Pullman stock, it has often been suggested that the company would distribute to its shareholders the stock of the Pullman Car & Manufacturing Corp. It does not seem probable, however, that such action would be taken without the retention of at least a majority interest. It would involve the relinquishment of its present advantages in the purchase of equipment, with the consequent inevitable curtailment of the margin of profit on its own operations. There are sufficient grounds for optimism on the situation without attempting to remove one of the direct causes of the current prosperity.

There is no other organization devoted to the public service having so wide a scope which has been able to dispense with funded debt or preferred stock in financing its operations. Pullman has no capital obligations other than the common capital stock authorized and outstanding to the extent of 1,350,000 shares with a par value of $100. Its working capital position is so uniformly strong that equipment purchases can actually be financed from current assets and still leave the liquid position more than ample for all requirements.



Ability to finance from within and to maintain a conservative capitalization in face of expansion has undoubtedly gone a long way in allowing the company to escape the difficulties experienced by most of the railroads as a result of the periods of government control and rising costs. The tremendous effects of rising costs without a commensurate advance in charges for service, even as relates to a uniformly prosperous enterprise, may be realized upon examination of the transportation earnings over a period of years. The net figure for the 1925 fiscal year, although an improvement on the showing of recent years, was only about $550,000 in excess of the corresponding figure for 1909, approximately 9.4 millions against 8.8 millions, while in the meantime gross transportation receipts jumped from 31.7 millions to 83.9 millions. In other words, an increase in gross amounting to 165% was converted into a net gain of only 6%.

Most of the enhancement in net income has been provided by the manufacturing end of the business, aided of course by the acquisition of Haskell & Barker which entailed an increase in the share capital of 165,000 shares. If it had been necessary to meet expansion requirements through increases in capitalization in conformity with growth in gross earnings, it is readily apparent that Pullman's intermediate and current showing would have been far less favorable than has actually been the case. This emphasizes the manner in which surplus earnings rather than capital increases have been utilized. Were the same margin of profit permitted in 1909 possible at present, or if the company were to capitalize a good portion of the funds reinvested in the property and were allowed to charge rates to correspond to the increase in operating expenses since 1909, it is not difficult to imagine the transformation which would take place in per share earnings.

In short, Pullman has not received the benefits that would have accrued to a similarly well managed industrial enterprise from the increase in volume of business arising from growth in population as well as from its own efforts to increase the per capita use of the service. General prosperity and high wages have been of material assistance in building up gross earnings. Whereas Pullman service was formerly a luxury, it is coming to be regarded more in the nature of a necessity available to nearly all classes. The business population in particular has come to recognize the time saving qualities of the sleeping car, not to mention the money economies due to the lower rates as compared with the present cost of hotel accommodations.

Another point not often appreciated is the extent to which railroads are indebted to Pullman service for making possible all-night operation on a large scale, and for increasing the volume of long-distance travel. Moreover, the Pullman surcharge, to which reference has already been made, provided direct benefits and at a time when additional revenues were sorely needed by the railroads. Of course, the roads could provide parlor and sleeping cars individually, and actually do in a small number of cases, but not in a manner to compete successfully with the highly organized and long experienced specialist in the field.

There is another aspect bearing on the market appraisal of Pullman shares outside of those factors directly affecting the affairs of the company. This is the steadily increasing demand for

(Please turn to page 480)

International Business Machines Corp.

A Progressive Industrial

Depression Proof Aspects of Company's Business—Its Exceptional Record of Growth—Market Outlook for Stock

By FREDERICK WATSON

IN our lustily growing United States, we are prone to look askance upon industrial organizations which cannot show a record of growth commensurate with the normal expansion of the country. This attitude is justifiable and one that the investor, especially, may well adopt as a safeguard against becoming involved in unprofitable enterprises. Yet, notwithstanding the impressive progress of industry, few concerns are immune to the effects of what are popularly described, "cycles of depression." The number of companies that registered deficits in 1921, for example, is legion.

Int'l Business Machines is not only a fair claimant to the title of "depression proof" and an outstanding exception to the companies whose earnings were blighted by deflation in 1921, but it is also one of the most striking examples of progressiveness in American industry.

International Business Machines' 10-Year Record

Year	Sales (Millions of Dollars)	Net Profit (Millions of Dollars)	*Earned Per Share	*Dividends Paid
1916	$ 6.18	$1.21	$3.84	$1⅓
1917	8.34	1.57	4.12	1⅓
1918	9.68	1.79	3.57	1⅓
1919	12.90	2.13	5.30	1⅓
1920	15.94	1.89	4.31	1⅓
1921	10.62	0.89	2.16	1⅓
1922	10.74	1.43	3.64	1 5/6
1923	12.64	1.96	4.48	2
1924	13.76	2.23	4.92	2⅔
1925	15.45	2.83	4.89	†2⅔
1926—1st Quarter	....	0.76	1.31	¾

* On basis of 3 for 1 split-up.
† Also paid 20% stock dividend.

The business has grown consistently from gross sales of 6.18 millions in 1916 (the first year for which published figures are available) to 15.94 million dollars in 1920. The latter year marked a temporary high water mark, for in the next twelve months, gross dropped to 10.62 millions. It has just been said that the company's business is depression proof. It would, perhaps, be well to qualify this statement, since there are few industrial organizations whose earnings do not suffer some shrinkage during periods of severe upheaval. What is meant, of course, is that International Business Machines has demonstrated ability to do a large volume of business even under distressed conditions and while its profits fell off in 1921, it nevertheless earned the then $4 common dividend with better than a 50% margin, a rare performance in those uncertain times.

From the low point in 1921, the business once more began to build up steadily and last year again reached the 15 million mark, bettering the even figure by more than $453,000.

Net income, meanwhile, has grown apace in conformity with the trend of gross. It is significant, in this connection, that the present day International Business Machines is not quite the same organization which started as a corporate entity in 1911 under the style "Computing-Tabulating-Recording Co." The new title, adopted in 1924, is significant of the fact that the original concern, by virtue of growing demand for its products and conservative management, gradually broadened its scope of operations and has now become a factor of international importance in its peculiar field.

By disbursing considerably less than half the yearly profits to shareholders during the first twelve years of its existence, the company achieved present earning power entirely from income, except for some common stock financing in 1920. Additional common was sold in 1925, but with due allowance for these bits of financing, the rise in working capital to 8.26 millions last year from 1.96 millions in 1921 and the expansion in combined capital stock and surplus account from 12.85 millions to 24.07 millions reflects the steady advance of the business.

This growth, in a measure, is symptomatic of recent tendencies in domestic industry. That is to say, the rising trend of labor costs has forced home the necessity for adoption of every known, practical method for savings in this quarter. In consequence, products such as those manufactured by International Business Machines are bound to find favor, aside from their value in speeding operations.

While itself a holding company, International's subsidiaries produce a wide range of devices extensively used abroad as well as in the United States, for Europeans are also sold on the idea of cutting labor costs wherever possible. Without enumerating these subsidiary companies, most of which are wholly owned, it is sufficient to note that the company's output includes time recording devices, computing scales, door locks, meat slicing machines and sundry similar machines, including tabulating devices which are extensively used by the governments of the United States and Great Britain, as well as many smaller nations. These last named machines are not sold but leased to users. Revenues from this source, accordingly, tend to be more or less stable.

While the company has steadily developed its business in the United States and maintains a research department for promoting the invention of new devices, it has not overlooked opportunities abroad and now owns factories in Germany and France from which it secures distribution to foreign consumers. Since the invasion of foreign fields is comparatively recent, the probabilities are that earnings in this quarter will ultimately become a more important factor.

The common stock has enjoyed appreciation in market value conforming with its steadily strengthening position. Last year, the original shares were exchanged three for one and a stock dividend of 20% was paid, thus bringing the per share price down to a level conforming more nearly with the popular taste. There are now 578,643 shares of no par value common outstanding, preceded only by 5.48 millions of 6% bonds. *Despite its advance, the junior issue is still attractive as a long pull holding offering prospects for larger returns as the business continues to expand.. At prevailing prices around 48, the current $3 dividend nets a return of 6.3%.*

Promising Outlook for Cont. Can

Rising Trend of Earnings—Change in Dividend Policy Indicated—Business Prospering

By ROBERT E. STANLAWS

Continental Can's Earnings and Dividend Record

	1918	1919	1920	1921	1922	1923	1924	1925
Common Shares Outstanding	135,000	135,000	135,000	135,000	360,000	365,464	450,050	476,552
Earned per Share..........	$12.70	$15.92	$8.03	$2.59	$7.48	$8.78	$9.16	$10.60
Dividends Paid	*$6	$6.50	$7.00	$3.50	$0.75	$2.75	*$4.00	*$4.00
Working Capital (Millions).	$4.95	$4.86	$3.32	$2.82	$7.25	$9.04	$12.60	$14.55

*Paid 35% stock div. in 1918 and 5% each in 1924 and 1925.

IT is estimated that, on the average, ten per cent more cans are used each year than the year before. Granting that this estimate closely approaches the fact, it is not difficult to discover the reason for the consistently good earnings record of the leading can makers, of which Continental is the second largest. Organized in 1913, this company has never once failed to operate at a profit, even though the difficulties of its customers in 1920-1921 were reflected in a materially lessened balance for the common shares.

The slump in those years, however, was based more largely upon credit stringency than upon a falling off in volume of sales. The can business is peculiarly seasonal, since the principal demand for containers originates with the fruit and vegetable packers. Much the larger part of Continental Can's output is devoted to the production of cans as containers for fruit, vegetables, soups, fish, meats and milk.

Continental Can must, accordingly, produce during the greater part of the year against a demand which rises sharply to peak levels over a comparatively brief food shipping season. This necessitates short term borrowing to finance raw material requirements and storage of finished product until the packers are in receipt of funds from the marketing of their crops.

The credit difficulties which were common among the company's customers in 1920-1921 and which affected Continental Can in that period arose out of this inherent characteristic of the business. In more recent times, however, money has been notably easy. More than that, the food packing industry has prospered. The result of these favorable conditions has been twofold. Not only have earnings mounted steadily from the low of $2.59 a share for the common stock in 1921 to $10.90 last year, but the necessity for seasonal bank borrowing has been materially lessened.

Continental has always pursued a commendably conservative dividend policy. In the last decade, it has paid out but $44.50 per share in common cash dividends against a total of $121.55 a share earned. Stock dividends of 35% in 1918 and 5% each in the past two years, nevertheless, have permitted shareholders a generous participation in the company's profits without interfering with the growth in working capital.

Expansion in this item from a low mark of 2.82 millions five years ago to last year's peak at 14.55 millions has undoubtedly relieved the company of dependence upon the banks to a greater degree than formerly with an attendant saving in interest charges. Then again, the policy of effecting improvements in plant facilities as well as expansion have been financed largely out of the profits retained as outlined above.

The gradual addition of new factories, year by year, has brought Continental to the status of a well-rounded, semi-independent manufacturing unit. The company now has, among its seven factories, facilities for producing the greater portion of its tin plate requirements as well as warehouses for finished containers and machine shops for making can machinery. The latter, incidentally, supply others than the company's own plants. Further progress toward expansion of output and reduction in operating costs were put into effect last year at the Canonsburg, Pennsylvania, tin plate mill. Evincing this expansion in fixed investments, plant account at the close of December, 1925, stood at 19.97 million dollars compared with 11.91 millions at the close of 1919.

This growth in can making capacity has been predicated upon sound lines, not alone because it has entailed no involvements in floating or bonded debt (the company is entirely free of the latter) but also because, as stated at the outset, the demand for tin containers has increased progressively year by year. The public is becoming more and more inured to the use of canned foods. In fact, the metal container has steadily invaded the field of the paper package among other commodities as well.

Continental's growth in financial stature furnishes a fair yardstick of this trend, which the steady rise in yearly net income merely confirms. Thus, profits moved somewhat irregularly between a maximum of 3.28 millions and a minimum of 1.55 millions in the five years prior to 1921. From the low of $811,004 in the last named year, there has been a steady advance to 5.54 millions in the twelve months ended last December.

Per share earnings have not yet returned to the $19.98 average of the 1916-1919 period, owing to expansion in common share capitalization. Whether or no they will, the company occupies a very strong position and its future, from all present indications, seems reasonably assured. Some measure of speculation attaches to the common stock since earnings are principally dependent upon conditions affecting the annual fruit and vegetable crops. In this respect, prevailing prospects augur well.

The common dividend rate was increased from $4 regular to $5 in January, at which time an extra payment of $1 a share was made. This action would seem to indicate that the management's policy will be to disburse extra cash in lieu of the 5% stock dividends paid in the past two years. *Yielding 6.5% on the basis of the regular rate, the common stock at current levels around 77 does not seem to have discounted the likelihood of such further extra payments.*

Should Automobile Accessory Stocks Be Bought Now?

Position of Industry and Outlook for Leading Stocks

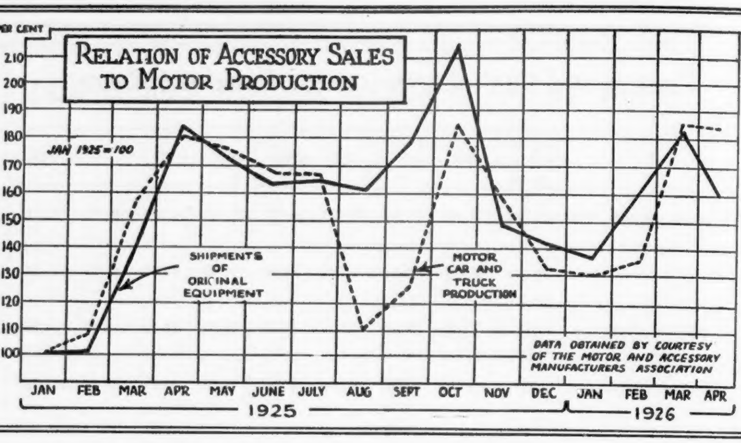
By FREDERICK J. HOLWORTH

TRADE conditions in the automobile equipment field are perhaps the most difficult to forecast accurately for either a long or short term. There are two fundamental reasons for this. In the first place, the whole situation is at all times very closely interwoven with the volume of automobile production, and, as is well known, the consumptive powers of the automobile market have again and again defied the most careful analysis. In the second place, there is a factor of uncertainty in connection with the tendency on the part of the larger motor car manufacturers to supply their own parts and accessories. A decided element of risk is thereby created especially for smaller concerns that are to a considerable degree dependent upon a small number of individual contracts, in some cases even upon a single contract. There is always the contingency that the termination of such a contract will put a quick end to apparent prosperity.

Outlook for Balance of Year

The uncertainties of the automobile industry were never better illustrated than in the latter part of 1925. A series of price cuts, instead of serving to mitigate a period of retrenchment, as had been expected in many quarters, gave rise to a flood of new orders, resulting in one of the outstanding booms in the history of the industry. Naturally this situation was reflected in the earnings statements of the parts and accessories companies, several of them being placed on their feet after eking out a bare existence only for several years previous.

The point at issue at present, of course, is the outlook for the balance of the year. It would be idle to attempt to look too far into the future of the automobile equipment industry. The automobile industry is bound to have its setbacks from time to time regardless of the fundamental trend. It may be said that the majority of equipment companies are in better financial shape to weather the next period of subnormal demand, but from the long range view, the concerns which can regard the future with the greatest confidence are those with the greatest diversity of essential products or with a near monopoly on some one product that appears to be indispensable. This qualification is important inasmuch as many new inventions have achieved popularity for a brief span only to be discarded on short notice. Until a product is determined to be a fixture rather than a fad, the company manufacturing it to the exclusion of nearly everything else is not a good risk.



Parts and accessories earnings as a whole for the first quarter of this year have been in excess of those for the corresponding quarter of 1925, although below the 1925 average. This is satisfactory as far as it goes. Maximum earnings are seldom attained in the opening quarter. Motor stocks since the severe break in the early spring until very recently have consistently remained at high yielding levels not far above the low prices for the year, in spite of the fact that production, sales and profits continue on a highly satisfactory basis, and in all probability will exceed the record of any previous first half-year. The significance is that the consensus of financial opinion, as represented by the stock market, is against a repetition of last year's experience, and is on the contrary forecasting a considerable slump in automobile business during the closing six months.

Smaller Automobile Sales Indicated

Such a view, if substantiated, does not augur too well for the parts and accessories group. It cannot be accepted as conclusive as even the market is not an infallible guide to the vagaries of the motor industry, but it is of sufficient importance to render indiscriminate purchasing of accessory stocks inadvisable. Can the momentum developed in recent months maintain production and sales of automobiles at high levels in face of some recession probable in general business? Is there anything impending to reduce the volume of installment sales which now account for about 75% of new orders? Will the old bugaboo, the used car problem, become increasingly menacing as time goes on? These are the most urgent questions that arise in considering the outlook for the motor car industry and its corollary, the automotive equipment industry.

Parts and accessories fall into three main divisions, original equipment, replacements, and service equipment. Shipments of original equipment form the best guide as to what may be expected in the way of automobile production shortly after, although not infallibly, as there is no definite means of determining the extent of orders to meet future rather than current requirements. The accompanying chart, based on figures compiled by the Motor and Accessory Manufacturers Association from a representative group of manufacturers, shows a close relation between the two items. In both cases the respective figures for January, 1925, are used for the base, and represented by 100. The curves are constructed by the percentage which the figure for each subsequent month bears to that for January, 1925.

It will be noted that there are only two marked discrepancies in the trend of the two curves. Car production showed a severe drop between July and August of last year, whereas there was an almost imperceptible decline only in shipments of original equipment. The reverse was true as regards the figures for April last. A considerably smaller volume of shipments found no reflection in motor car production. The first discrepancy is explained by the curtailment in the Ford plants in connection with model changes. Ford supplies such a large proportion of his

own equipment that the effect of the curtailment upon original equipment manufactured by the trade was much smaller than would otherwise have been the case.

At this writing, automobile production figures for May are not available, so that there is no means of determining whether the decline in shipments of original equipment was followed by a decline in motor car output. The decline in April shipments, however, taken in conjunction with the curtailment in automobile sales indicated by the low level of motor stock prices is at least significant, and, until proved to the contrary, might well be accepted as a warning against too great optimism on the motor situation over the next few months.

Replacement parts and service equipment have a stabilizing influence in the equipment industry in that they tend to take up the slack occasioned by a drop in original equipment. It is interesting to note that their curves frequently run counter to the trend of original equipment, which is not illogical, as, broadly speaking, replacements and repairs might be expected to increase as the volume of new car purchasing declines, and vice versa. The business of some companies is confined to the supply of original equipment. In this case earnings are more susceptible to wide fluctuations.

The stocks of even the better established parts and accessories companies are selling on a high yield basis and some are attractive for income. In very few cases, however, are dividends at the present rates altogether secure. The outlook at best is hardly such as to anticipate a repetition this year of 1925 earnings. Purchases of securities in this group had best be considered from a long range viewpoint, and confined to issues of companies financially strong, and with either a partial monopoly in some essential line or a diversified output in various lines.

TIMKEN ROLLER BEARING This company has shown an unusual degree of stability for an automobile equipment concern. This is due primarily to the fact that it enjoys a practical monopoly on tapered roller bearings. Furthermore, it is not altogether dependent upon the automobile industry, but has developed an increasing use of its main product in general industrial lines. Sales to other than motor companies in 1925 were double the amount shown in the previous year.

Timken has been experimenting for some time on a roller bearing applicable to railroad equipment. Expansion of its plants is now under way to provide for the initial manufacture of this new line probably some time in 1927. It may well prove to be a source of additional income, as well as a means of further diversifying the business.

There is no preferred stock, funded debt, nor bank loans. The liquid position is exceptionally strong. The only capital obligation is an issue of slightly over 1.2 millions shares of no par value. 1925 earnings were equivalent to $6.73 per share, as against $4.84, $6.75 and $6.20 for the three years preceding. Dividend of $3 regular and $1 extra have been paid continuously for the last three years.

Timken is the oustanding example of the advantage derived from a near monopoly on a product essential for the motor industry. The stock normally moves over a rather narrow price range, but ranks as one of the safest and most attractive for a pull among automobile equipment issues.

STEWART-WARNER SPEEDOMETER This stock has probably been the recipient of more speculative interest in recent years than any other in the accessory group. Like Timken, there is only one class of stock, consisting of about 600,000 shares of no par value, and no bonds except a small subsidiary issue. Unlike Timken, however, it is a business enjoying a wide diversification of product, including speedometers, bumpers, horns, gasoline feed systems, and lubrication systems. The acquisition of Bassick-Alemite Corp. in 1924 further increased the range of products and the distribution facilities.

Earnings per share reached their peak in 1923, the amount, $14.16, comparing with $12.57 last year. Actual net income in 1925, however, was higher, the discrepancy being due to additional stock issued in the meantime.

The company formerly paid out the greater portion of its profits in the form of dividends. As high as $10 a share annually was disbursed in 1923, since reduced to $6 with extras from time to time. There are evidences of a more conservative dividend policy such as to permit expansion of surplus and tangible asset values. This is more or less confirmed by the action of the management in writing down its good will last year from 8.3 millions to the nominal amount of $1.

Stewart-Warner is now engaged in the manufacture of radio sets and parts. The peak seasons in this line for the most part come at times when automobile accessory business is dull. Radio, therefore, is in the nature of a stabilizer in that it tends to take up the slack occasioned by the inherent fluctuations in accessory demand.

There is no question that Stewart-Warner can earn substantial amounts when automobile production is large. There are also grounds for believing that the business is sufficiently diversified so that a fairly creditable showing can be made during normal recessions in the industry. The stock will in all likelihood continue to have wide movements in both directions. *The trade outlook renders it none too attractive at this particular time, but the shares represent a fair prospect for a long term holding.*

HAYES WHEEL The company shares with Kelsey Wheel and Motor Wheel the bulk of the business of supplying wheels for cars and trucks. Competition in this field is keen, and earnings show a highly fluctuating tendency. 1925 as might be expected was unusually favorable, $8.02 per share on the common, in comparison with $3.16 in 1924 and $6.61 in 1923.

Capitalization is moderate, consisting of 197,044 shares of no par common, preceded by 16,398 shares of 7½% cumulative preferred. The entire funded debt was called last February. The regular dividend rate on the common is $3 per share; 25-cent extra distributed in three quarters this year and last were omitted at the last declaration. This was due to the sharp reduc-

—Essential Facts About Leading Automobile Accessory Companies—

	Timken Roller Bearing	Stewart-Warner	Hayes Wheel	Spicer Mfg.	Stromberg Carburetor
Bonds	None	$875,000a	None	$464,500	None
Preferred	None	None	$1,639,800 7½% cum.	$3 million 8% cum.	None
Common Shares (all no par)	1.2 mil.	599,990	197,044	313,750	80,000
Dividend	$4 b	$6	$3	None	$6
Recent price (com.)	52	75	34	23	63
Yield	7.7%	8%	8.8%	....	9.5%

a—subsidiary issue. b—$3 regular and $1 extra.

tion in earnings for the March quarter. The 61 cents shown for that period was well below dividend requirements. It compared with $2.21 in the preceding quarter and 95 cents in the 1925 March quarter.

Hayes is sufficiently well equipped with working capital if a fairly normal volume of business can be maintained. Whether the dividend can be covered depends upon how automobile production shapes up for the balance of the year. *The stock is very much of a speculation at this juncture, and hardly commends itself to those conservatively inclined.*

SPICER MANUFACTURING After making an indifferent showing for a number of years, there are indications that this company has been placed on its feet as a result of the 1925 automobile boom. No dividends have been disbursed on the common since 1920 although last year $4.57 was earned, a favorable showing which has continued through the first quarter of 1926, as revealed by earnings of $1.47 for the latter period. There is room for greater strength in the company's financial condition, and this no doubt accounts for the absence of dividends.

Spicer manufactures a variety of machine products and is the largest maker of propeller shafts and universal joints for automobiles. It stands to benefit from the marked expansion underway in trucks and busses, as frames for these types of vehicles also represent an important part of its output.

There are 313,750 shares of no par common, 30,000 shares 8% cumulative preferred, and slightly under one-half million funded debt. The preferred possesses some merit as a speculative investment, *and the common, although yielding no return as yet, is worth watching as a future commitment for profit when the trend of automobile production appears more definitely upward than at present.*

STROMBERG CARBURETOR Although a sort of a "sleeping beauty" among accessory stocks, this company has shown unusual stability of earning power compared with others in the same group. One reason for the comparative inactivity is the limited supply, there being only 80,000 shares outstanding, representing the sole capital obligation. Per share earnings in the last four years have never fallen below $7. The maximum figure of $11.62 was attained in 1923. A uniformly com-

(*Please turn to page* 490)

Universal Pictures First 8% cumulative preferred stock has been substituted for Warren Bros. Second 7% cumulative preferred in this issue of the Preferred Stock Guide. This change has been made because Universal Pictures, being listed on the New York Stock Exchange, enjoys a better market than Warren Bros. second preferred. Moreover, the motion picture issue appears to have more attractive possibilities for ultimate appreciation in market value and affords a materially better current yield.

Preferred Stock Guide

These stocks are selected as offering the best opportunities in their respective classes taking into consideration assets, earnings and financial condition of the companies represented.

For Income

HIGH GRADE INVESTMENTS

	Div. Rate $ per Share	Div. Times Earned—5 Yr. Av'r'ge	Redeemable	§ 5 Yr. Price Range High	§ 5 Yr. Price Range Low	Recent Price	Yield %
RAILROADS							
Baltimore & Ohio	4 (N)	F4.75	No	67	47	71	5.6
Chicago & Northwestern	7 (N)	...	No	125	96	125	5.6
Chesapeake & Ohio Conv	6.5 (C)	F14.8	115	F130	F96	133	4.8
N. Y., Chicago & St. Louis	6 (C)	F3.7	110	H98	H86	103	5.8
Colorado & Southern 1st	4 (N)	7.5	100	66	47	67	6.0
PUBLIC UTILITIES							
Columbia Gas & Electric	7 (C)	T6.1	115	T114	T103	114	6.1
North American	3 (C)	6.1	52.50	50	31	51	5.9
Philadelphia Company	3 (C)	6.5	No	49	30	50	6.0
Public Service New Jersey	8 (C)	3.4	No	F119	F95	119	6.7
INDUSTRIALS							
American Smelting & Ref	7 (C)	2.4	No	115	63	118½	5.9
American Steel Foundries	7 (C)	6.6	110	113	78	114	6.1
Armour & Co. of Del	7 (C)	2.3	110	H100	H84	93	7.5
Associated Dry Goods 1st	6 (C)	3.9	No	103	55	101	5.9
Baldwin Locomotive	7 (C)	2.6	125	117	95	109½	6.4
Brown Shoe	7 (C)	F4.4	120	109	70	110	6.4
Cluett, Peabody	7 (C)	3.7	S125	110	79	115	6.1
Endicott Johnson	7 (C)	4.3	125	119	87	117½	6.0
General Motors	7 (C)	F13.9	125	115	68	118½	5.9
Studebaker Corp.	7 (C)	25.0	125	125	88	119	5.9

For Income and Profit

SOUND INVESTMENTS

	Div. Rate $ per Share	Div. Times Earned—5 Yr. Av'r'ge	Redeemable	§ 5 Yr. Price Range High	§ 5 Yr. Price Range Low	Recent Price	Yield %
RAILROADS							
Colorado & Southern 2nd	4 (N)	7.0	100	62	35	61	6.6
Kansas City Southern	4 (N)	2.7	No	59	45	66	6.1
Pere Marquette Prior	5 (C)	8.5	100	85	50	87	5.8
St. Louis-San Francisco	6 (N)	9.1	100	92	28	91	6.6
Bangor & Aroostook	7 (C)	2.5	110	F100	F86	100	7.0
PUBLIC UTILITIES							
American Water Works & El	7 (C)	4.1	110	108	48	104	6.7
Federal Light & Traction	6 (C)	5.0	110	T89	T74	86	7.0
Kansas City Pr. & Lt.	7 (C)	T3.1	115	H109	H91	111	6.3
Hudson & Manhattan R. R. Conv.	5 (N)	4.5	No	F72	F25	75	6.7
West Penn Electric	7 (C)	..	115	O100	O86	98½	7.1
INDUSTRIALS							
Allis-Chalmers	7 (C)	2.4	110	109	67	109	6.4
American Cyanamid	6 (C)	3.1	120	96	52	90	6.7
Bush Terminal Buildings	7 (C)	1.1	120	103	67	103	6.8
Commercial Credit 1st	6.5 (C)	..	110	N99	N92	91	6.9
Cuban American Sugar	7 (C)	F8.2	No	106	68	102	6.7
Genl. American Tank Car	7 (C)	3.1	110	F104	F86	102	6.9
Gimbel Brothers	7 (C)	4.3	115	F114	F95	106	6.6
Goodrich (B. F.) Co.	7 (C)	F2.7	125	102	62	98	7.1
Loose Wiles 1st	7 (C)	3.3	120	112	93	117	6.0
Reid Ice Cream	7 (C)	T6.9	110	O100	O92	98	7.1
U. S. Cast Iron Pipe	7 (N)	3.7	No	113	88	104½	6.7
U. S. Industrial Alcohol	7 (C)	4.3	125	115	84	102	6.9

SEMI-SPECULATIVE

	Div. Rate $ per Share	Div. Times Earned—5 Yr. Av'r'ge	Redeemable	§ 5 Yr. Price Range High	§ 5 Yr. Price Range Low	Recent Price	Yield %
PUBLIC UTILITIES							
Brooklyn-Manhattan Transit	J6 (C)	T3.0	100	88	84	84½	7.1
INDUSTRIALS							
Bush Terminal Debentures	7 (C)	T1.8	115	N89	N80	93	7.5
Consolidated Cigar	7 (C)	2.5	110	96	53	100	7.0
Dodge Bros.	7 (C)	..	105	O91	O73	87	8.1
International Paper	7 (C)	1.6	115	N99	N86	93	7.5
Mid-Continent Petroleum	7 (C)	F1.6	120	F109	F80	99	7.1
Orpheum Circuit Conv	8 (C)	2.6	110	F107	F84	104	7.7
Pure Oil Co.	8 (C)	4.2	No	F108	F82	110	7.3
Radio Corp. of America	3.5 (C)	3.4	55	54	45	47	7.4
Universal Pictures 1st	8 (C)	7.6	110	O108	O94	93	8.6

SPECULATIVE

	Div. Rate $ per Share	Div. Times Earned—5 Yr. Av'r'ge	Redeemable	§ 5 Yr. Price Range High	§ 5 Yr. Price Range Low	Recent Price	Yield %
RAILROADS							
Chicago, Rock Island & Pac	7 (†)	1.2	No	99	15	98	7.1
Gulf, Mobile & Northern	6 (C)	F1.6	105	105	68	104	5.8
Wabash "A"	5 (N)	..	110	73	18	76	6.6
Western Pacific	*6 (C)	F0.9	105	86	51	83	7.2
INDUSTRIALS							
First National Pictures 1st	‡8 (C)	T4.7	115	N110	N100	102	‡.
Goodyear Tire & Rubber	7 (C)	1.7	S110	H114	H35	101	6.9
Remington Typewriter 2nd	8 (C)	3.3	No	113	47	112	7.1
Willys Overland	7 (C)	..	110	123	28	96	7.3

* Cumulative to extent of 2 yrs. divs. † Cumulative up to 5%. ‡ Participates in excess earnings; paid $1.44 extra in March. J—After July 1, 1926. F—Four years. H—Three years. T—Two years. S—For sinking fund. N—Price range 1926. O—Price range 1925. §1921-1925.

Industrial *Public Utility* *Oil* *Mining*

Investors' Indicator

Current Earnings—Dividends—Working Capital

Industrials—	Dollars Earned Per Share 1924	1925	1st Quarter 1926	Present Div. Rate ($)	Recent Price	Yield (%)	† Ratio of Current Assets to Current Liabilities
Air Reduction	8.56	10.02	3.13	¶4	117	3.4	10¾ to 1
Ajax Rubber	1.56	2.01	...	..	10	..	4 to 1
Allis-Chalmers	8.01	8.78	2.09	6	88	6.8	7 to 1
Amer. Bosch	0.77	2.41	0.67	..	23	..	2½ to 1
Amer. Hide & L. Pfd.	4.28	4.59	0.01	..	45	..	2½ to 1
Amer. La France	1.71	1.59	0.29	1	13	7.6	3 to 1
Amer. Locomtive	9.80	def	...	8	105	7.6	16½ to 1
Amer. Steel Found.	5.75	*4.48	1.31	3	43	7.0	6¾ to 1
Beth. Steel	2.56	5.30	2.66	..	42	..	5 to 1
Butterick	3.60	3.33	...	..	31	..	2¼ to 1
Central Leather Pfd.	def	4.39	0.37	..	58	..	19½ to 1
Cluett, Peabody	6.94	8.58	...	5	63	7.9	15¼ to 1
Coca-Cola	10.00	14.47	3.31	7	159	4.4	12¾ to 1
Colo. Fuel & Iron	1.05	4.65	3.15	..	43	..	3 to 1
Corn Products	3.61	2.29	0.90	2	47	4.3	10¾ to 1
du Pont (E. I.)	12.45	c14.97	...	¶10	237	4.2	6¾ to 1
Endicott-Johnson	8.04	8.47	...	5	67	7.5	2¼ to 1
Famous Players	20.08	d18.39	...	10	124	8.0	e3 to 1
Gen. Motors	7.37	19.15	7.50	¶7	144	4.8	2⅗ to 1
Goodrich, B. F.	10.57	17.33	...	4	53	7.6	3½ to 1
Goodyear Tire & Rub.	7.76	9.44	...	..	36	..	6½ to 1
Gulf States Steel	7.48	f7.19	1.77	5	75	6.7	5⅗ to 1
Hayes Wheel	3.16	8.02	0.60	¶3	34	8.8	5½ to 1
Hudson Motor	t6.11	t16.07	2.06	v3½	55	6.3	‡‡2⅝ to 1
Lee Rubber & Tire	def	1.39	...	..	9	..	1⅜ to 1
Mack Truck	17.95	g13.92	3.32	6	118	5.1	8¼ to 1
Otis Elevator	11.69	12.81	3.71	6	118	5.1	5½ to 1
Owens Bottle	4.72	6.77	1.53	¶3	64	4.7	7¾ to 1
Pierce-Arrow Pfd.	6.25	15.46	3.28	8	100	8.0	5¾ to 1
Postum Cereal	9.44	h5.72	2.26	4.40	97	4.5	4¾ to 1
Remington Type	9.34	16.16	5.29	..	108	..	5½ to 1
Republic I. & Steel	0.55	6.88	2.94	..	53	..	5¼ to 1
Sloss-Sheffield	10.47	15.09	x4.50	6	133	4.5	5¼ to 1
Spicer Manf.	2.32	5.04	1.46	..	23	..	2¾ to 1
Stewart Warner	7.37	12.57	2.25	6	76	7.9	5¼ to 1
Stromberg Carb.	7.02	7.87	1.68	6	65	9.2	5¾ to 1
Studebaker	7.03	8.55	2.08	5	53	9.4	4 to 1
Timken Roller	4.83	6.73	...	¶3	52	5.8	7¾ to 1
United Drug	10.93	12.64	3.80	8	157	5.0	6¾ to 1
U. S. Rubber	3.87	14.91	..	..	64	..	5 to 1
U. S. Steel	11.76	12.86	3.88	7	138	5.0	4¾ to 1
Wil'ys-Overland	0.23	4.36	...	..	27	..	7¾ to 1
Youngstown S. & T.	6.68	12.38	3.60	4	77	5.2	5 to 1

Industrials—	Dollars Earned Per Share 1924	1925	1st Quarter 1926	Present Div. Rate ($)	Recent Price	Yield (%)	† Ratio of Current Assets to Current Liabilities
Amer. Tel. & Tel.	11.31	11.79	3.02	9	141	6.4	1⅗ to 1
Brooklyn Edison	11.81	10.00	...	8	141	5.7	3½ to 1
Brooklyn Union	9.14	6.30	...	4	81	4.9	2⅜ to 1
Columbia Gas & Elec.	4.41	5.38	2.41	5	82	6.1	2 to 1
Consolidated Gas	7.46	6.98	...	5	97	5.3	4½ to 1
Detroit Edison	9.97	10.67	4.12	8	133	6.0	2 to 1
Hudson & Manh.	3.33	3.81	1.13	2½	39	6.4	2½ to 1
Int. Tel. & Tel.	a18.14	a16.82	...	6	124	4.8	‡5½ to 1
Laclede Gas	15.35	15.38	...	8	154	5.2	1½ to 1
Montana Power	4.49	5.39	1.76	5	79	6.3	1⅜ to 1
North Amer.	3.10	3.73	...	10% Stk.	53	..	2¼ to 1
Pacific Gas & Elec.	8.83	9.52	...	8	129	6.2	1⅗ to 1
Peoples Gas	11.10	11.54	...	8	123	6.5	1½ to 1
Philadelphia Co.	5.91	7.10	...	4	71	5.6	2½ to 1
Pub. Serv. of N. J.	6.57	6.45	2.38	5	86	5.8	m2½ to 1
Stand. Gas & Elec.	6.61	4.23	...	w3	56	5.4	1⅗ to 1
Western Union	12.36	15.20	3.42	8	146	5.5	1½ to 1
Oils—							
California Pete.	u2.46	u3.50	0.69	2	35	5.7	3⅗ to 1
Houston Oil	u3.93	u3.25	...	..	64	..	2⅗ to 1
Marland Oil	u0.22	u8.38	1.91	4	63	6.4	7¼ to 1
Mid-Continent Pete.	0.69	s4.81	rs2.02	..	33	..	6½ to 1
Pan.-Amer. B.	5.67	9.61	...	6	74	8.1	3½ to 1
Phillips Pete.	4.59	6.48	rs2.54	3	49	6.1	6¾ to 1
Pure Oil	p3.10	p3.70	...	¶1½	28	5.3	p2¾ to 1
Sinclair Consol.	def	0.95	...	..	23	..	1¾ to 1
Mining—							
Amer. Smelting	12.60	19.17	...	7	129	5.4	4⅗ to 1
Amer. Zinc Pfd.	u def	u def	1.47	..	33	..	5 to 1
Int'l Nickel	p0.40	p1.43	0.73	2	37	5.4	p8½ to 1
Magma Copper	u2.90	u2.34	s1.03	3	38	7.9	5¼ to 1
Nevada Consol.	r0.83	r1.64	r0.37	1	13	7.6	7 to 1
Ray Consol.	s0.31	s1.21	r0.36	1	14	7.5	4¾ to 1
Utah Copper	5.03	7.59	1.92	5	100	5.0	4½ to 1

† As of Dec. 31, 1925. ‡‡ As of Nov. 30, 1925.
‡ As of June 30, 1925. ¶ Not including extras.
* Earned on 902,745 no par shares; shares outstanding in 1924 were 722,186 (par $33⅓).
a Including non-recurrent income.
c Earned on 1,330,839 $100 par shares; shares outstanding in 1924 were 950,609 (par $100).
d Earned on 275,102 no par shares; shares outstanding in 1924 were 235,931 (no par).
e Year ended Dec. 26, 1925.
f Earned on 125,000 shares; shares outstanding in 1924 were 112,140.
g Earned on 611,515 shares; shares outstanding in 1924 were 283,109.
h Earned on 800,000 shares; shares outstanding in 1924 were 400,000.
m As of Aug. 31, 1925.
o As of Nov. 30, 1925.
p Years ended March 31, 1925 and 1926 respec.
q As of Sept. 30, 1925.
r Before depletion. s Before depreciation.
t Year ended Nov. 30.
u After depletion and depreciation.
v Declared 20% stk. div., payable July 10, to stock of record, June 15.
w Plus 2-50ths of a share in common stock.
x Estimated.

Are Your Earnings on the Upgrade?

WHAT is the trend of your earnings during the past few years? Like the progressive and ably managed corporation, are you able to show "a steady growth of income over a period of years," or does it hold to a stationary level?

These questions bring up an important point in financial management, whether it concerns the corporation or the individual. Many individuals are thoroughly satisfied as long as their income, from salaries or investments, does not show a downward trend. The corporation management, on the other hand, is not considered by the shareholder-owners of the corporation to be functioning properly unless the corporate earnings show steady growth if not from year to year, at least in a period of years.

From the standpoint of investor preference, a corporation that is merely holding its own is going backward. Where the management is at fault, emphatic expressions of discontent will soon be heard at the annual shareholders' meeting. Where the absence of an upward trend in earnings is due to unavoidable trade conditions, the shrewd investor will reinvest his capital in a growing enterprise. As the nation continues to grow in wealth, population and profit-making opportunities, our corporations are expected to grow in earning power in the same proportion. For this reason, many investors prefer to invest in a company that is generously capitalized but showing progressive increases in earning power, rather than a company with proportionately smaller capitalization but no growth in income.

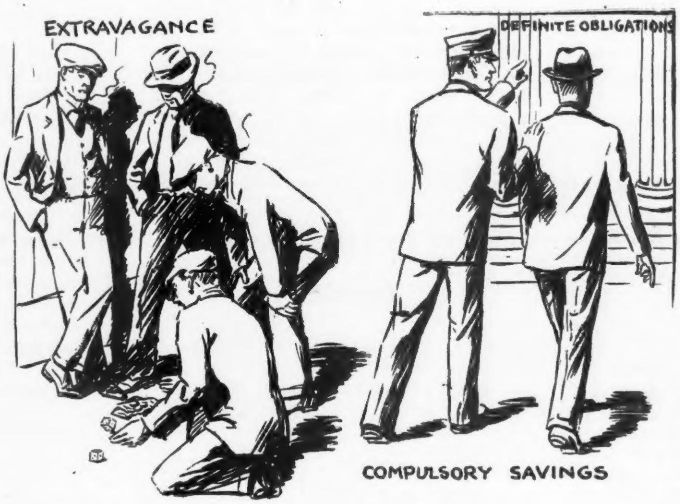
What is true in the case of corporation management is also true, in a broad sense, of individual financial management. Of course, the individual does not always have the same opportunities; frequently, there are uncontrollable factors that determine income, especially income derived in the form of salary or commissions. Still there is no more reason why the *individual should feel thoroughly satisfied with the same income year after year* any more than the officials of a great corporation should be content with static earnings.

Money making opportunities for the individual are abundant in a country like the United States and it is an indication that one is not making the most of his advantages, when the individual's earnings do not keep pace with the growth of prosperity of the nation. Are *your* earnings on the upgrade?

Putting Teeth in the Thrift Program

A Few Simple Remedies Are Suggested to Curtail the Ravages of Spendthriftitis

By STEPHEN VALIANT



ABOUT the most complimentary thing that I can say of compulsory saving is that it is a good method to avoid—but, nevertheless, a good method if you can't avoid it. Of all the hundred and ten million people in the United States, those *who sincerely do not want to save money* could probably be easily accommodated in the famous "Horseshoe Circle" of the Metropolitan Opera House. In spite of the universal desire to have more wealth than required by the every-day necessities of life, however, there are, unfortunately, some people who do not save money as fast or with the regularity that their income warrants.

It is for these people that compulsory saving is recommended. Far better to accumulate savings under pressure than not to save at all. After all, the chief reason why the thriftor with good intentions happens to fall by the wayside, is because there are so many demands on his income that nothing is left for the savings bank or good investments. For mild cases of spendthriftitis, a budget, taken in regular doses, will bring immediate relief. The virtue of this antidote, however, lies only in the fact that it puts the necessity for saving regular amounts on a par with the hundred and one other alleged necessities. For some merely to put saving on a par with other financial demands is not enough and in these cases, savings must be firmly established as a *first lien on income.* This is where the several practical mediums of enforced saving take the stage.

Mentioned in order of their effectiveness, the most practical means of compulsory saving are: first, the pay-like-rent plan of buying a home; second, endowment insurance; third, Building & Loan monthly payments; and fourth, the purchase of securities on the installment plan. Perhaps some objection will be raised on the grounds that all of the foregoing are *per se* good investment mediums—and without question or doubt, they are. The undesirability (if any) of enforced saving does not concern the mediums available to backsliding savers, but to save only because one has obligated himself to save is, at best, one of the lesser virtues.

As a first lien on income for saving purposes, the pay-like-rent-plan of home owning has an A1 rating, because it provides the maximum in severity of penalty. One must pay the stipulated monthly payments or lose the roof over one's head. A portion of such payments increases the owner's equity in the home. He is increasing his net worth, and, therefore, conducting a saving program whether he realizes it or not. Those who chose to enter the province of thrift by this gate, however, must exercise more than ordinary caution in signing on the dotted line of the purchase contract. Some pay-like-rent plans have been known in which the monthly payments contribute too much to the amortization of the seller's profit and too little to the equity of the owner.

Cases of spendthriftitis which are not absolutely chronic can perhaps be effectively cured with a milder remedy, to wit, endowment insurance. Here, the penalty is not as great, due to the mounting cash surrender value of the contract, and the incentive to continue to make good on the contract is heightened by the necessity for protection as well as the ultimate reward when the endowment materializes. The interest rate earned on an endowment investment (this type of contract is primarily for investment) is sometimes calculated at between three and four per cent, the difference between these rates and higher investment returns obtainable in other directions being the price one pays for enforcement of the savings program. This plan of enforcement has, however, the important advantage of all insurance, i. e., that it is almost impossible for one to go wrong in assuming an insurance obligation.

Building & Loan shares are a good compulsory form of saving because the purchase is made on the terms of monthly payments extended over a twelve-year period. Originally, money invested in Building & Loan shares was only payable at the end of the stipulated period if regular monthly payments in the meantime were continued. Unfortunately, so far as enforced saving is concerned, nominal penalties now entitle the prospective share owner to terminate his contract and get his money back. An increasing number of societies permit members to withdraw the full deposits with interest, an advantage that is frequently exercised for less worthy purposes than the original investment. However, to keep in good standing a member must continue regular monthly payments and borrowing members must hew strictly to the line of interest and principal re-payments at the risk of a foreclosure.

The purchase of bonds or investment stocks on the partial payment plan is a convenient way of obligating yourself to make regular contributions toward your own future financial independence but the penalties are inadequate for the hereditary backslider. Strictly speaking, there are no penalties. When one starts to buy a bond on the partial payment plan and changes his mind after a few payments, it is too easy to write instructions to the broker to sell the bond and return the balance to rate this plan very high as effective saving enforcement. Here again, one undertakes a definite obligation (in theory at least) and if exposed to attack for any considerable period may reasonably expect to be taken down with the saving habit ultimately.

The Mid-Summer Inventory

Accurate Tabulation of Financial Progress Helpful to the Individual as Well as the Corporation

By H. B. J.

A CLEAR-CUT measure of progress towards Financial Dependence is obtained by making an annual inventory of the various constituent possessions which combine to make up our sum-total of wealth at any given time. The keeping of a financial inventory throughout a number of years is interesting and profitable in many ways. I began the practice by making such a tabulation on July 1, 1921, instead of the end of the year, December and January being exceptionally busy months in my line of business, and I have more spare time in the summer. I have continued, upon each anniversary of that date, to make my inventory, using this simple means of finding out just how far my fortunes have advanced during a definite period.

Bookkeeping has always been arduous for me—so much so that I have always had to organize my small affairs upon the simplest possible basis. After I had begun to acquire a little money I would find myself wondering how much I had saved during a certain year. The process of digging into old bank-books and otherwise trying to discover how much I might have put into securities or other forms of investment during any definite period was quite involved and my computations were seldom altogether trustworthy.

The first inventory was made July 1, 1921. It seemed wise to make it err, if in any manner, in the direction of conservatism. A good deal of self-deception can easily enter into a matter of this kind. One is somehow actuated by hope, pride, and even vanity to over-estimate his financial worth rather than to undervalue it. This is especially true in instances where accurate market prices are lacking as a decisive means of valuation. But the individual, like the well-managed corporation will do well to mark down values rather than to mark them up, and optimism should be restrained in making estimates. The inventory will be worthless, of course, if it does not rigorously exclude all false values. Also, since the purpose of the whole operation is to measure progress in financial growth, there is no point in trying to bolster up the account by including such domestic paraphernalia as furniture, musical instruments, automobiles, and the like which have in most cases little relevance to real financial worth.

The custom of enumerating such household equipment as evidences of saving is more of a comfort to the owner than an index of his financial standing. I would not even include jewelry in a strictly financial inventory such as I describe. Although, people do actually invest in jewelry from financial considerations, most of us acquire what little jewelry we may have for purely sentimental reasons.

What then shall our inventory include? For the purpose in mind it should comprise all the items which constitute our financial well-being. These may be organized in any convenient divisions for a year-to-year comparison. My inventory has four main parts, consisting of:

1. Securities (stocks, bonds, mortgages, etc.); 2. Cash and savings banks deposits; 3. Building loan funds and insurance; 4. Real estate.

Stocks and bonds are easily evaluated by the closing quotations as of the last market day of the fiscal year. Mortgages and secured notes of respectable origin may, of course, be carried at face value. Unlisted securities which do not have an active market should be marked down to the bid price quoted by a conservative dealer. Many people, in setting forth their assets, will fatuously enumerate stocks and bonds year after year at par value, some of which may have long since ceased to reflect this theoretical value in the markets.

Cash in my case means the balance in my checking and savings banks accounts. Building and loan funds are accurately reported upon request in our locality so there is no difficulty in getting this figure. The item of insurance will require explanation since practices differ somewhat in handling this item in an inventory. Endowment insurance is carried at a sum equal to the payments already made, it being assumed that this money will be repaid at a definite time. Life insurance, however, is of different kinds. Ordinary term insurance cannot be thought of as a financial asset except in the case of death, since it has no surrender value. Other insurance contracts, having a surrender value, actually have the status of negotiable contracts, and may be properly listed in the inventory at their surrender values.

Real estate, the last item on my inventory, is the most difficult of all to evaluate. My own property was fortunately bought and could be marked up considerably from the purchase price if we could be sure of stable

Inventory

Securities		Cash	B. & L., Ins.	Real Estate
Bonds				
Phila. Co. 6s	$1,040	$965	$2,930 B&L 875 Ins.*	$7,980**
A. T. & T. 5½s	1,035			
Dodge 6s	955			
Manati 7½s	1,010			
Hershey 5½s	1,010			
Pan Am. 6s	1,150			
Frisco Adj. 6s	925			
Gt. North. 7s	2,200			
Stocks				
20 U. S. Steel pfd.	2,505			
10 Col. Gas	855			
20 Gen. Motors	2,390			
10 Phila. Co.	670			

Total *Securities*	
Bonds	$9,325
Stocks	6,420
B & L: Ins.	3,805
Real Estate	7,980
	$27,530
Bank debt	650
1926 Total	$26,880

Summary of Net Worth	
1926	$26,880
1925	23,435
Net Gain	$3,445

*$500 paid in on Endowment.
$375 surrender value 20 pymt. policy.
**Equity in home.

prices for such property in the future. That, however, is quite doubtful. I, therefore, carry the property at a figure that is arrived at by adding to the purchase price the cost of any permanent improvements and subtracting therefrom each year a sufficient annual depreciation.

On the first day of July I get out my "dope" and the account is added up under the four headings that I have listed above. Bank borrowings, if I have borrowed money to carry stocks or bonds until fully paid for, are subtracted from the total sum and thus is computed the amount of my worldly wealth in conservative and trustworthy figures.

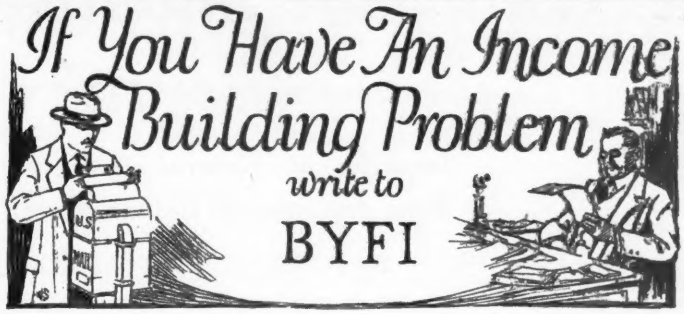
A most interesting moment ensues when I subtract from this last and newest inventory, the amount of the previous appraisals made one year before. The remainder is, of course, that amount by which I am richer than I was one year past and one does not need to be greedy or selfish to be intensely interested in contemplating this significant item. It is the measure of the year in material gain.

The figures for six years are retained as a permanent exhibit—milestones in progress towards financial independence. Growth in income from investment is shown as well as increased worth. Definite and significant information is always at hand with regard to past results. Some years are shown to have been better than others and the retrospection recalls valuable lessons and experiences. Looking back upon these milestones we remember the vicissitudes of the journey with satisfaction, knowing that we are well upon our way and that we have also gained many worth-while things which are not written into the inventory.

IMPORTANT

The next issue will contain, in the Building Your Future Income Department, the announcement of a new prize contest which will be of great interest to all our readers. The prizes offered will be substantial. Aside from this incentive, however, contestants will have the opportunity of developing their own knowledge of investments in an interesting and pleasureable manner.

WATCH FOR THE NEXT ISSUE



Can Called Bonds Be Sold?

Dear BYFI:
I hold some Pan American convertible 6's 1934 which are now selling at around 107 and I notice that the bonds are called for sinking fund about twice a year at 103. Suppose one of the numbers which I hold should be called at 103 while the market is, say 110, due to conversion feature, could I sell my called bond and get the higher price, or would I have to turn it in to the company at 103?—R. F., Bridgeport, Conn.

Generally speaking, when a bond is selling above its call price and some bonds are called for sinking fund, the called numbers are not a good delivery when sold at the higher price and the customer will be called upon by the broker to make a good delivery or pay the difference between the two prices. Otherwise, of course, you can readily see that the brokers who deal in bonds might have to stand considerable losses at times. In the case of the Pan American 6's, however, you could take advantage of the conversion privilege and sell the common stock received at the higher price, in the event that your bonds might be called in future sinking fund operations.

A Co-operative Investment Trust

Dear BYFI:
A group of my friends and associates are forming a society for the purpose of investing co-operatively, keeping the surplus intact without any distribution of income, but using the surplus to buy speculative securities with the aim of making market profits. The fund will be operated by five trustees elected by the membership. Do you think such a plan will be successful? What is the difference between this plan and the investment trusts formed by investment firms which offer shares of participation to investors?—T. S. S.—Baltimore.

A number of investment clubs, that have communicated with this Department in the past few years, have very successful records behind them, which in every case is a tribute to capable handling of the club's resources by the officers or trustees. The general plan and organization of the new investment society to which you refer, appears thoroughly sound and practical, but, of course, the degree of success will depend solely on ability of the trustees. We would advise extreme caution in selection of speculative issues and would suggest that the trust agreement or by-laws limit all investments in common stocks to securities which comply with certain recognized investment standards. This would make speculative losses less probable and would greatly lessen the responsibilities of those handling the trust funds. The underlying principle of an investment club is much the same as an investment trust, the chief difference lying in the fact that the former is usually 100% cooperative, while the latter is operated with a fee or profit to the sponsors but in turn usually has more expert management with better facilities at their disposal.

Making a Will

Dear BYFI:
Do you advise a married man with children, who has scattered holdings in securities, real estate, insurance and so forth to make a will, or is the estate administered just as satisfactorily under the laws of the state pertaining to settlement of estates? My husband has no will, that I know of, and I hesitate to suggest it to him, although I have always heard that it is much more satisfactory to make a will than not.—Mrs. B. G., New York.

By all means ask your husband whether or not he has made a will. If he has, go over it with him in detail, so that you will be thoroughly familiar with its contents. If he has no will drawn up, we would advise him to go to his lawyer at once and have it attended to. Considerable saving in taxes and costs can be effected by disposing of the estate under a will than may be the case if the whole matter is left to the laws of the state. Open discussion of the will within the family circle is a businesslike thing to do and we see no reason why you should hesitate.

At What Age Should Endowments Begin?

Inquiries of General Interest That Have Been Answered by the Insurance Department

By FLORENCE PROVOST CLARENDON

Insurance Editor:

Have been reading your articles for some time, and as you have given such excellent advice to other readers, would like to have you advise me on a policy I have just taken out.

Am 20 years old, with an annual income of about $2,000, unmarried, and have the following policy: Endowment Insurance, $7,000. Payable at death or at age 60 with option of Monthly Life income or of partial Endowment and Paid-up Life Policy. Premiums payable for 40 years unless dividends applied to shorten premium paying period. Disability Benefits $70 per month. Double indemnity for fatal accident. Annual Participation in Surplus. Premium $185.85 per year.

After reconsidering this policy I was of the opinion that settlement at age 60 was too distant a time, but the agent tells me that I would be able to surrender the policy for cash at the end of 21 years, for approximately $4,487.98.

Do you consider it advisable to carry the policy with this view in mind (to surrender it for cash in 21 years), or would you advise cancelling the policy at the end of the year, and taking out some other form of insurance. I took out this policy last August.—H. H.

We are glad to know that you have found our Insurance Department interesting.

It is reasonable to assume that you will marry later on and will thus have the usual family responsibilities, so that your policy for $7,000 will not only build up an old age income for yourself, but will also provide protection for dependents over a long period of years.

The policy is on a good plan and includes both Disability Benefits and the additional Accidental Death Benefit, and provided it is carried with a good Old Line company as I assume is the case, I would unhesitatingly advise you to continue to carry this coverage.

Premiums for this policy will only be payable over that span of your life when you would normally be in active business and your income would be rising to its peak. Age 60 seems a long way off to a young man of twenty—it is quite surprising how quickly age 60 seems to approach after one attains the later 40's! *After* age 60 is the time when a monthly income from such source as an Endowment or other good investment is most appreciated, because it is at that time a man desires to take life easier and to enjoy the fruits of his earlier saving and self-sacrifice.

Industrial or Ordinary Life?

Insurance Editor:

I have been a reader of your insurance column for some time and would appreciate advice on the following:

A young lady of my acquaintance at the age of 23 years took out an insurance policy, twenty-year endowment. At 28 years of age she took out two more policies and at 30 years of age added another one to the above in order to make the total one thousand dollars. I shall list them.

			Amount	*Rate*
Nov.	5, 1917.	*Age at next birthday 23 years..*	$210.00	$0.25
Oct.	8, 1923.	*Age at next birthday 28 years..*	205.00	.25
Oct.	8, 1923.	*Age at next birthday 28 years..*	205.00	.25
Nov.	10, 1924.	*Age at next birthday 30 years..*	369.00	.45
		Total	$989.00	$1.20

The above policies are payable weekly in the Prudential Insurance Company. Can these policies be surrendered or changed for one having payments paid yearly? What would you advise?—C. E. D.

We are in receipt of your letter asking advice regarding the insurance of your friend who is now carrying four policies on the "Industrial" plan—insurance in small amounts on which premiums are payable weekly.

Industrial insurance is especially designed to meet the needs of wage earners on small salaries, to provide funds for a decent burial and payment of medical expenses of the last illness. The weekly payments develop a habit of thrift, and are in small enough installments to meet the requirements of the modest salaried applicant usually taking this type of coverage. These policies run in small amounts.

If your friend is in a position to pay for life insurance of $1,000 or more—as is evidenced by the policies she now holds—she should carry the protection in a form under which the premiums are payable quarterly, semi-annually, or annually. The cost of weekly collection adds to the expense of the "Industrial Policy" very materially, and your friend would find it cheaper, and more convenient, to carry her policies with premiums on an annual basis.

She should communicate with the Home Office of the Prudential Insurance Company, stating her desire to convert her four Industrial Policies to one policy for $1,000, and request them to advise her as to the proper procedure.

"Have Never Favored Life Insurance"

Insurance Editor:

Reading in the last issue of THE MAGAZINE OF WALL STREET *of the opportunity to convert to Government Insurance by July 1st, I am writing you in hopes of receiving a reply much sooner than from Washington.*

I have not favored life insurance, heretofore, as the agents' reasons why I should take out a policy have not impressed me enough, but as most people carry it, there must be some benefits. Such reasons as "saving money systematically," etc., do not impress me. But I'll state myself and facts. Perhaps, you can explain enough about the different policies the government extends so that I can pick one and then if further information is necessary I can inquire.

I am 30 years old, married, wife is self sup-

(Please turn to page 482)

BYFI Recommends

	Approx. Price	Yield
Bonds **with a high factor of safety, ready marketability and good collateral value:**		
N. Y. Telephone Co. ref. 6s Ser. "A" 41	108⅝	5.2%
Del. & Hudson 15-year 5½s '37	105½	5.1
Bethlehem Steel 1st guar. 5s '42	100	5.0
N. Y. Cent. & Hud. River deb. 4s '34	95	4.7
Bonds **with a good factor of safety, fair income, good marketability and collateral value:**		
American Sugar Ref., 15-year ref. 6s '37	102¾	5.4
Anaconda Copper 1st 6s '53	104	5.7
Cuba Railroad 1st 5s, '52	96½	5.2
U. S. Rubber 1st 5s '47	94	5.5
Preferred stocks **with ample security, a liberal income return and some possibility of enhancement in value:**		
Brooklyn-Manhattan Transit Pfd. ($6)	85	7.1
U. S. Smelting & Refining preferred ($3½)	50	7.0
Schulte Retail Store preferred ($8)	117	6.9
Willys-Overland preferred ($7)	95	7.3

Note: Famous Players Pfd., originally recommended at 115 has been removed from above list and substituted by Brooklyn-Manhattan Tr. Pfd.

When A Home Investment Pays

Watch the Cost Line and Corresponding Rental Values —A Good Example of a Profitable Home Investment

By DAVID GREGG

MR. GROSS' article in the March 13th issue of THE MAGAZINE OF WALL STREET cites a case where it does not pay—at least in dollars and cents—to own your own home. From numerous analyses, it seems that there is a definite cost line below which it pays to own a home, and above which it may be more economical to rent. Even in the upper class, however, the purchase of a home may be justified regardless of its cost, as related to renting, for the owner can usually afford to spend additional money for the satisfaction of having a place of his own.

The daily papers recently published some real estate figures showing that there were over 26,000,000 home owners in the United States, and that the average salary of half this number was under $2,000 a year! For the man in moderate circumstances, or just starting out to make his way in the world, the owning of a home is a real economy, provided he buys within his means, and is reasonably certain to remain in a fixed location for a number of years.

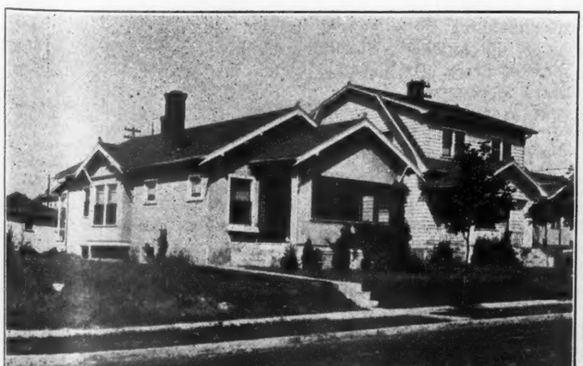
My own home will furnish a specific example. It is a five-room bungalow, surfaced with stucco and crushed stone. The framework is wood, double sided, with a composition shingle roof. The interior walls are stipled with oil paint, the double floors are of oak, with inlaid linoleum in the kitchen and bath. Upkeep is negligible. A double garage is located at the rear of the lot; I use one side and rent the other for $63 a year. The location is in a neighborhood of small homes, with lots large enough to give a bit of elbow room and a small garden. The lowest rent in this section is $60 a month.

The cost of my home was $6,700, of which $4,500 is on a loan at 7%, the balance I paid in cash. This initial payment of $2,200 covers not only the first payment on the house, but all the little things necessary to a new home, such as screens, awnings, linoleum, interior decoration, etc. Incidentally, the finance charge to secure the loan, investigate the title, and make all papers, was $36—compare this Building & Loan charge against the $1,000 it cost for Mr. Gross' loan of $10,000! Taxes are $72 a year, all assessments are paid. On my investment of $2,200 I assume an interest rate of 6%, a fair return, and as large as I would get if I had invested in high-grade securities instead of a home. Thus:

Interest on investment	$132.00
Interest on loan	315.00
Taxes	72.00
Upkeep	50.00
	$569.00
Less rent of garage	63.00
Net cost of owning home	$506.00
Rental at $60 a month	$720.00
Cost of owning home	506.00
Net gain over renting	$214.00

In other words, at the end of each year I am $214 ahead of my neighbor who rents. And this is my net savings, as there are other advantages accruing to the home owner. I use only five tons of coal a year. My house is well insulated—being built for a home, it has had a few extra dollars spent here and there that mean an annual savings during its life. None of the renters nearby used less than eight tons last winter. Time also works in the home owner's favor. I can plant fruits and berries knowing that I will enjoy them in a few years, while my neighbor only looks a few months ahead, and is unwilling to spend even a little money to improve some one else's property as he may not be there to enjoy it.

Improvements in the yard and garden frequently increase in value as they grow older. For example a few years ago I planted a dozen small evergreens. They have now grown into sturdy trees, and could not be bought for ten times what they originally cost me. The rented house rarely improves, the renter is unwilling to spend either his own time or money on it, and the landlord does only enough work to keep it rented. The owned home improves with time, as it is gradually fitted with the little features that mean added comfort and satisfaction, and which cost only a little effort in the owner's spare time, while its surroundings, with reasonable care, grow constantly more attractive.



Front and rear view of Mr. Gregg's home. The home-owner can greatly increase the beauty and value of his property with plants and shrubbery, at a small cost.

International Petroleum Co,. Ltd.

Int'l Petroleum's Big Possibilities

Completion of New 400-Mile Pipe Line Makes Company's Huge Colombian Reserves Accessible to World's Markets

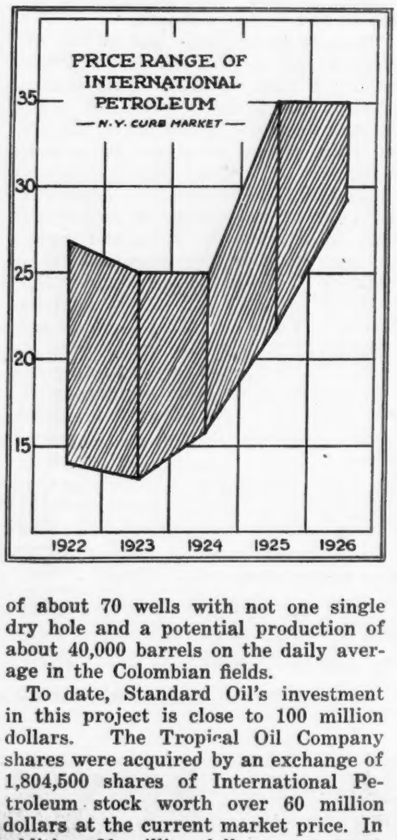
By ARTHUR M. LEINBACH

WITH the recent completion of the 400-mile pipe line in the foothills of the Andes Mountains in tropical South America, considerable attention has been turned to the vast development in this district, controlled by one of the most important Standard Oil of New Jersey subsidiaries, the International Petroleum Company, Limited. Although the latter company was organized a little more than five years ago and has undertaken intensive development only during the past three years, its potential production in Colombia and Peru has already attained a daily average of 60,000 barrels. By way of comparison, this production is a little under the current output of the new Tidewater-Associated Oil Company and about twice the production of the Marland Oil Company.

The principal Colombian development has been on the famous De Mares Concession—a tract that covers two million acres, which were acquired when the former International Petroleum Co. merged with the Tropical Oil Company in 1920. In addition, the company has acquired the right to develop up to approximately half of the British Controlled Oilfields, Ltd., acreage which covers over two thousand square miles in the San Juan district.

International Petroleum is primarily a producing company although it owns two small refineries, one at Talara, Peru, and another at the receiving end of the new pipe line at Cartagena, Colombia. It also owns and operates 10 tankers and has storage facilities and loading stations in Peru and Colombia and through a number of distributing stations, serves the local trade as well as exporting to Chile, Ecuador and Panama.

Drilling in the Colombia concessions started in 1918, prior to acquisition by International. The latter company undertook an intensive geological survey and exploration and has laid the ground work for a tremendous exploitation project. The actual drilling started last year in a large way with the result that over fifty wells were opened up, giving the company the most unusual drilling record of a total



of about 70 wells with not one single dry hole and a potential production of about 40,000 barrels on the daily average in the Colombian fields.

To date, Standard Oil's investment in this project is close to 100 million dollars. The Tropical Oil Company shares were acquired by an exchange of 1,804,500 shares of International Petroleum stock worth over 60 million dollars at the current market price. In addition, 20 million dollars were spent in development work, exploration and test drilling and the new pipe line with its terminals and loading facilities represents another 15 million dollar expenditure. The original investment of the company in Peru represents the balance of the capital which consists of an authorized issue of 19.9 million shares of no par value with 7.1 millions outstanding. Control of the corporation rests with a small issue of preferred stock, which, together with about 60% of the common, is owned by the Imperial Oil Company, Ltd.; this company in turn is controlled by Standard Oil Company of New Jersey, through ownership of 80% of the outstanding stock.

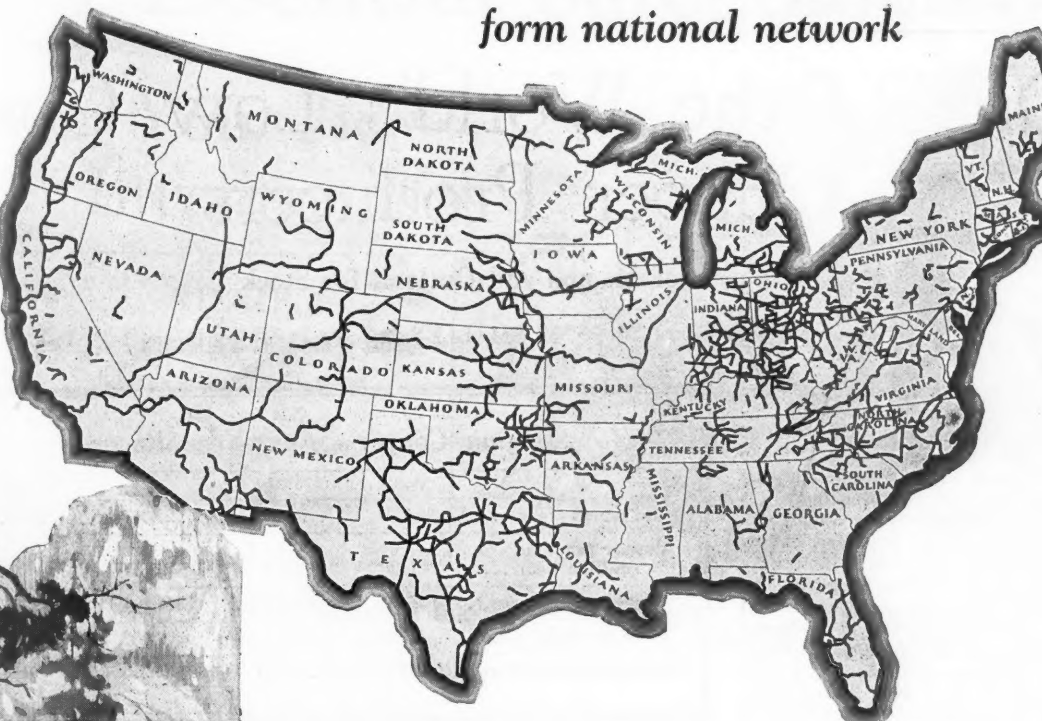
Based on current quotations, the outstanding shares of International Petroleum have an aggregate valuation of over 240 million dollars. In the absence of official earnings reports, earnings to date can only be gauged by dividends which reached their highest point in 1924 when about 5.5 million dollars were paid out to stockholders. With the conservative dividend policy characteristic of the Standard Oil management, it can be assumed that actual earnings were greatly in excess of this amount. It must be further considered that this income was derived almost exclusively from the Peruvian operations. The huge Colombian reserves, considered by some authorities to exceed the most prolific Mexican sands, have been readily accessible to the world's oil markets only recently with the opening of the company's new pipe line.

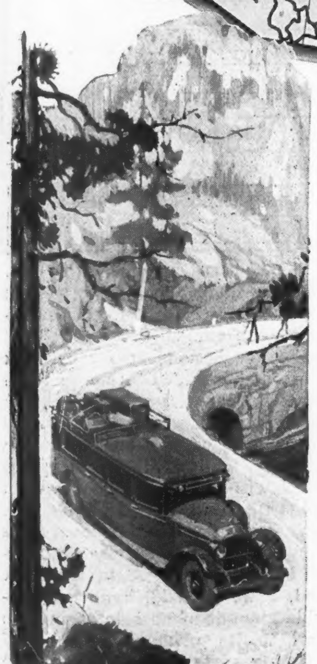
The Standard Oil Company of New Jersey has been using the Peruvian crude oil of its subsidiary for the past few years under a purchase contract that was originally for 10,000 barrels a day. In the entire Appalachan district, the total daily average output is now about 75,000 barrels with practically no prospect of increasing the supply of this high quality oil, in view of the fact that no new wells have been sunk in this old district for the past fifty years. It is reasonable to assume that Standard of New Jersey will take more crude from International's Peruvian wells as production increases, because the quality is equal to the best Pennsylvania grade petroleum.

The International Petroleum shares at 34 are now selling on the N. Y. Curb market at twelve points above the low point of 1925 when the large production, now a fact, was then only a probability. From this point on, the exploitation of the Colombian reserves will no doubt continue slowly and surely—at least to the extent that intelligent oil field exploitation can be coupled with surety on proven acreage. *Although the large number of shares outstanding mitigate against speculative stock market advances, a gradual growth in value over a period of years may be reasonably expected.*

Studebaker Trails *of* Triumph

Busses powered by Big Six engines form national network





Cross-country travel in a Studebaker Bus takes you in comfort and safety, and delivers you on time. You relax and revel in the beauty of the countryside while its smooth, silent power spins out the gray ribbon of road and gives wings to the miles.

A YEAR ago Studebaker was forced into the bus business. Bus operators had found the Studebaker Big Six engine and the Studebaker Big Six chassis were peculiarly suited to their needs. They were buying Big Six chassis in large numbers, lengthening them and equipping them with bus bodies.

It was apparent the public would be better served by busses specially designed and built for this work, and Studebaker engineers were given the task of developing economical, efficient units for bus transportation. Studebaker's $100,000,000 manufacturing facilities enabled us to sell these powerful, dependable busses at prices never before approached for such quality.

Nation-wide popularity

The country over, far-flung trails tell the triumph of Studebaker's achievement. Today, as the map shows, Studebaker bus routes make neighbors of the nation. Linking hundreds of communities in every state, across the desert sands of New Mexico and over the mountain passes in Montana, through clinging gumbo and along broad highways . . . . everywhere Studebaker Busses are providing trustworthy transportation.

Studebaker Busses cost less to buy, less to operate and have the stamina which insures 100,000 — 200,000 — 300,000 miles of dependable transportation.

Studebaker Big Six passenger cars offer similar economies. You can buy *both* a Studebaker Big Six Sedan and a Studebaker Big Six Sport-Roadster for the price of any other sedan or roadster of equal rated horsepower. And your Studebaker will cost you less to operate and live longer.

Unsurpassed stamina

Gruelling bus service has conclusively proved the merit of the Big Six engine. Since it handles 12 to 21-passenger busses with such ease at high speed over long distances, it is no wonder that passenger-car work is mere child's play. This quiet L-head motor has reserves of power which assure the utmost in swift acceleration and smoothly sustained performance. And it does its work so easily that repairs and depreciation are minimized.

It is not surprising that the Studebaker Big Six (at One-Profit prices) outsells every other car in the world of equal or greater rated horsepower.

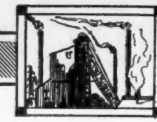
The following Big Six Studebakers may be purchased out of income at time-payment rates as low as any known to the motor world: 3-Pass. Duplex-Roadster, $1495; 5-Pass. Sport-Phaeton, $1575; 4-Pass. Sport-Roadster, $1645; 5-Pass. Club Coupe, $1650; 7-Pass. Duplex-Phaeton, $1775; 5-Pass. Sedan, $1895; 5-Pass. Brougham, $2095; 7-Pass. Sedan, $2145; 7-Pass. Berline, $2225.

Free booklet on Studebaker Busses

A booklet, "Profitable Bus Operation," will be sent without obligation to any one interested in the money-making possibilities of this great new development in American transportation. Studebaker Busses range in price from $3935 to $6150, f. o. b. factory.

THE STUDEBAKER CORPORATION OF AMERICA, SOUTH BEND, INDIANA

MINING



Magma Copper Company

One of the World's Low Cost Copper Producers

Progress of Magma and Outlook for Stock

By S. M. SMALLEY

AT a time when general prices are substantially above pre-war figures, copper stands out as one of the very few commodities of which the reverse is true. As a result, low cost producers of the metal for many years have had an overwhelming advantage. In the meantime the standard of low cost production has been materially lowered. Many of the properties in this country were formerly considered in this category, but the development of large deposits elsewhere, particularly in South America, has left only a very few located in the United States which are able to turn out copper metal at a cost of around 8 cents per pound.

Magma Copper's Four-Year Record

	1918	1923	1924	1925
Ore mined (tons)......	90,321	78,888	222,307	229,377
Copper produced (million lbs.)	11.0	7.0	23.3	27.0
Silver produced (ozs.)..	463,503	204,081	533,204	719,881
Gold produced (ozs.)..	5,699	2,567	7,589	9,086
Sales (million dollars)..	3.0	0.4	2.6	4.0

It is this situation that has served to create unusual interest in the progress of Magma Copper Co. The Magma properties, situated in Arizona where so many great mines have been developed in the past, appear to have definitely taken their place among the lowest cost copper producers of the world.

Magma's rise would no doubt been even more spectacular if it had been accompanied by a sustained advance in the copper market, but the fact that it was able to eliminate funded and floating debt to the extent of nearly 3.5 millions within the short space of a year, besides placing its stock on a $3 annual dividend basis, and accomplish all this on 14-cent copper, is in a way even more impressive. It may be that the status of the copper market has been of some assistance in that it has permitted greater concentration on further development of the properties at depth than might have been the case had the temptation existed to increase actual production to a point somewhere near capacity.

The present in reality represents the second and advanced stage of Magma's career. The company took advantage of the favorable metal market during the war by entering into production before the development of the properties had attained anything like its present proportions. With the marked change in conditions brought about by the termination of the war, however, it was found necessary, in order to place its affairs on a solid footing, to take steps to increase output substantially, and to build its own smelter. Dividends were paid during the earlier productive period from 1915 to 1919, thence being suspended until the inauguration of the $3 rate last year. Production averaged around 10 million pounds annually prior to the virtual shutdown in 1921 and 1922. In 1924 and 1925, since the completion of the smelter, the figure has been increased to 23.3 million and 27 million pounds respectively. The smelting capacity is close to 4 million pounds per month, so that it is readily apparent that Magma could materially increase output and profits should market conditions warrant the utilization of a greater proportion of the productive resources.

Development has progressed to the 2,550-foot level. Even this depth seems far from representing the limits of the commercial ore bodies. The remarkable feature has been not only the increasing width of the ore bodies at depth, but also the fact that the quality of ore uncovered has shown no diminution from that encountered at the upper levels. The life of mines of this character is more or less undeterminable, but it is fairly certain, even on the basis of the present stage of development, that Magma has many useful years ahead of it, especially in view of the policy of the management in conserving resources through maintaining production well below capacity until such time as the copper market permits a more adequate return upon the capital and labor expended.

Magma has become very much of a self-contained unit. The equipment is of the most modern type. The smelter, completed in 1923, with a capacity of 4 million pounds of copper per month, has greatly facilitated production as compared with the former necessity of shipping to customs smelters. The company even operated its own brick plant in connection with the construction of the smelter. A broad gauge railroad, built in 1922, handles a considerable amount of outside business in addition to its primary function of transporting materials and ores. The broad gauge locomotive handles eight times the tonnage formerly possible with the narrow gauge locomotive. The working staff is supplied with living quarters financed by the company, and an ample supply of water is assured at all times from a specially constructed reservoir.

408,155 no par shares out of 410,000 authorized represent the sole capital obligation. $3.5 million bonds issued in 1922 to finance the smelter construction were practically all converted into stock, the remainder being called June 1, 1925. 60,000 additional shares were sold in order to provide funds for the retirement of bank loans. Profitable operations were resumed in 1924, when a net income of $544,299 was reported,

(*Please turn to page* 485)

SERVICE SECTION

ANSWERS TO INQUIRIES

SUBSCRIBERS—ATTENTION

The Inquiry Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. As a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. Inquiries cannot be received or answered by telephone nor can personal interviews be granted by this department. The inquiries presented in each issue are only a few of the thousands received and replied to in the first four months this year. The use of this personal inquiry service in conjunction with the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription.

Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privilege of the Inquiry Department should be guided by the following:

1. *Be brief.*
2. *Confine requests for an opinion to three securities.*
3. *Write name and address plainly.*

MONTGOMERY-WARD & CO., INC.

I have been a stockholder in Montgomery-Ward for several years, having bought the stock originally on your recommendation at 28. Around 50 you cautioned me against selling the stock. The announcement that the company has formed a real estate subsidiary which is putting out a bond issue, leads me to ask you again for your opinion regarding further holding of the stock.—J. S. W., Brooklyn, N. Y.

The proposal of Montgomery-Ward to form a new subsidiary to take over the greater part of the real estate interests of the mail-order concern can be regarded in the light of a favorable development. By this step, four such subsidiaries already in existence will be superseded with a resultant saving in operating expenses. Further, Montgomery-Ward will be reimbursed for heavy capital expenditures made in recent years to allow for plant and warehouse expansion. A considerable sum will thus be released for use in the general conduct of its business. In view of the phenomenal growth in the business of Montgomery-Ward these funds become available at a time when their employment should assure the maximum of profitable result. Aside from this development, there is much in the situation surrounding this company to warrant optimism. Its record since 1921 has been one of tremendous gains in sales volume, working capital and cash holdings. Working capital now stands at almost 34 millions, against 14.76 millions on December 31, 1925; cash and marketable securities have risen from 1.78 millions to 8.5 millions; the volume of sales has expanded over 100 millions. Earnings, too, have shown a steady upward tendency, net in 1925 being equivalent to $8.05 a share on the 1,141,251 shares of common, against $6.18 a share in the previous year, $4.39 in 1923 and $2.06 in 1922. In view of the substantial increase in sales in 1926 to date, a further rise in earnings appears probable. Action in regard to dividend payments on the common does not seem to lie very far ahead. All things considered, the outlook for Montgomery-Ward common appears brighter than it has for some time. We consider the stock worth holding.

U. S. RUBBER

I bought 50 shares of United States Rubber at 83 early this year, and carried it down to 50, and have about given up hope of getting out even. Would you advise buying additional stock around the present price of $60 a share, with the view to getting out of the entire lot around 75, at which price I would then be about even?—M. N. W., Boston, Mass.

The market action of U. S. Rubber common appears rather puzzling when one gives due consideration to the excellent showing made by the company in 1925. Earnings, exclusive of those accruing through plantation operations, and after the deduction of 3 millions as a special reserve against crude rubber fluctuations, were equal to $11.21 a share on the common, against $3.87 in 1924. Unseasonable weather retarded tire distribution in the early months of 1926, but even in the face of this handicap it was able to report an increase of about 15% in sales in the first quarter. The decline in crude rubber revived the old bugbear of inventory losses, but the recent advance has nullified this to a considerable extent. With trade conditions holding up well there does not appear to be a serious bar to the company's progress. The stock has proved a disappointing holding to date but we believe sufficient promise has been shown to warrant retaining.

PHILLIPS PETROLEUM

Why does Phillips Petroleum move so slowly and disappointingly? I have been a stockholder for several years and have been told by my broker many times that Phillips is worth $75 a share, but it does not seem to make much progress in this direction.—G. A. K., Washington, D. C.

Phillips Petroleum lingers around current price levels but from a survey of the sound fundamentals underlying this issue it would appear entitled to sell many points higher. The company is showing the largest earnings of recent years. Net of 6.12 millions in the first quarter compares with 4.36 millions in the same period of 1925. In view of the success attending the energetic drilling campaign now being carried on in the newly acquired Panhandle properties it is quite likely that Phillips will close the 1926 year with the greatest profits in its history. It is characteristic of this stock that its market movements are slow, but in view of the circumstances they should be none the less sure, until a point is reached where sheer momentum should become the factor that will move the stock to the level that appears warranted. We would counsel further patience on your part.

(*Please turn to page* 470)

When Quick Service Is Required, Send Us a Prepaid Telegram and Instruct Us to Reply Collect

Sedan $895—De Luxe Sedan $1075
f. o. b. Detroit

A Good Name

—*priceless* · · and therefore jealously upheld

It is a fact well known that the name DODGE BROTHERS is more valuable than the vast and expanding works in which Dodge Brothers product is built.

Dodge Brothers, Inc., have simply kept the faith, and implicit public confidence has been their reward.

Year after year the car has continued to mature into a better and better product.

Costly chrome vanadium steel was the basic metal employed in the beginning, and it is the basic metal employed today—in larger measure than in any other motor car built.

The first automobile to leave Dodge Brothers Works—a Touring Car—was equipped with an all steel body.

And during the past few years, Dodge Brothers have perfected this superior construction for ALL their motor cars.

Beauty has been added to dependability, comfort and silence to beauty. Endless refinements have been made. Prices have been reduced.

But always in every instance, the quality of every detail has been maintained or improved.

The consistent goodness of the car has attracted a steadily expanding market. Wider markets have permitted a better and better product at lower and lower cost. Dodge Brothers progress has been conservative and logical.

The result is a GOOD NAME, worthy of the public trust it inspires, and too priceless ever to jeopardize.

DODGE BROTHERS, INC. DETROIT
DODGE BROTHERS (CANADA) LIMITED
TORONTO, ONTARIO

DODGE BROTHERS
MOTOR CARS

TRADE TENDENCIES

Business Prospects Somewhat Better

Production Is Still Tapering Off But Demand Holds Up—Firmer Commodity Markets in Certain Quarters

STEEL

Improvement General

THE third quarter in the steel industry has begun with a show of strength. There has been some improvement in demand for steel products, and conditions, as a whole, suggest confidence in respect to the immediate outlook. With the railroads enjoying splendid earnings, a long expected buying movement from this source has materialized. Many of the carriers are placing orders for rails, and locomotive buyers have also come into the market. But the notable feature is the railroad buying of structural steel for bridges.

Mills in the East have advanced standard structural shapes $2 a ton. The decline in the Steel Corporation's unfilled orders was considerably less than the previous drop; and it is quite likely that the falling off in unfilled tonnage will be checked further. At

(*Please turn to page* 487)

COMMODITIES*

(See Footnote for Grades and Unit of Measure)

	1926 High	1926 Low	*Last
Steel (1)	$35.00	$35.00	$35.00
Pig Iron (2)	20.00	18.00	18.00
Copper (3)	0.14⅝	0.13¾	0.14
Petroleum (4)	3.65	3.65	3.65
Coal (5)	2.17	1.87	1.87
Cotton (6)	0.21	0.18	0.18⅝
Wheat (7)	2.10	1.73	1.74
Corn (8)	0.81½	0.69	0.69
Hogs (9)	0.14⅝	0.11⅝	0.14⅛
Steers (10)	0.11	0.09¾	0.10¼
Coffee (11)	0.20⅛	0.17⅝	0.20⅛
Rubber (12)	0.98	0.43	0.45
Wool (13)	0.54	0.43	0.44
Tobacco (14)	†0.19	†0.19	†0.19
Sugar (15)	0.04¼	0.04	0.04⅛
Sugar (16)	0.05⅝	0.05⅛	0.05⅝
Paper (17)	0.03¾	0.03½	0.03½

*June 5.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red. New York, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full, Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb. †Change from 1924 to 1925 crop.

THE TREND IN MAJOR INDUSTRIES

STEEL—An advance of $2 a ton in structural steel prices was the feature development of the fortnight. This, together with a fair increase in new business, chiefly for the account of the railroads, has created more cheerful sentiment in the steel industry. Summer slackening is likely to be less pronounced than usual.

PETROLEUM—Wholesale gasoline markets are somewhat unsettled by price cutting in the Mid-Continent districts. Crude oil, on the other hand, manifests a strong undertone and an advance in quotations is anticipated.

METALS—Revival of interest in copper abroad, as well as buying wave in domestic markets, imparted firmer tone to copper prices, followed by later ease.

TEXTILES—Buying shows some signs of improvement and consumers are disposed to be less fearful of further price declines. Production, however, is still tending downward and curtailment promises to spread.

LEATHER—Industry is feeling effect of seasonal quiet. Hide prices have given ground after showing considerable strength, due to lack of demand from tanners. Shoe industry in fairly firm position.

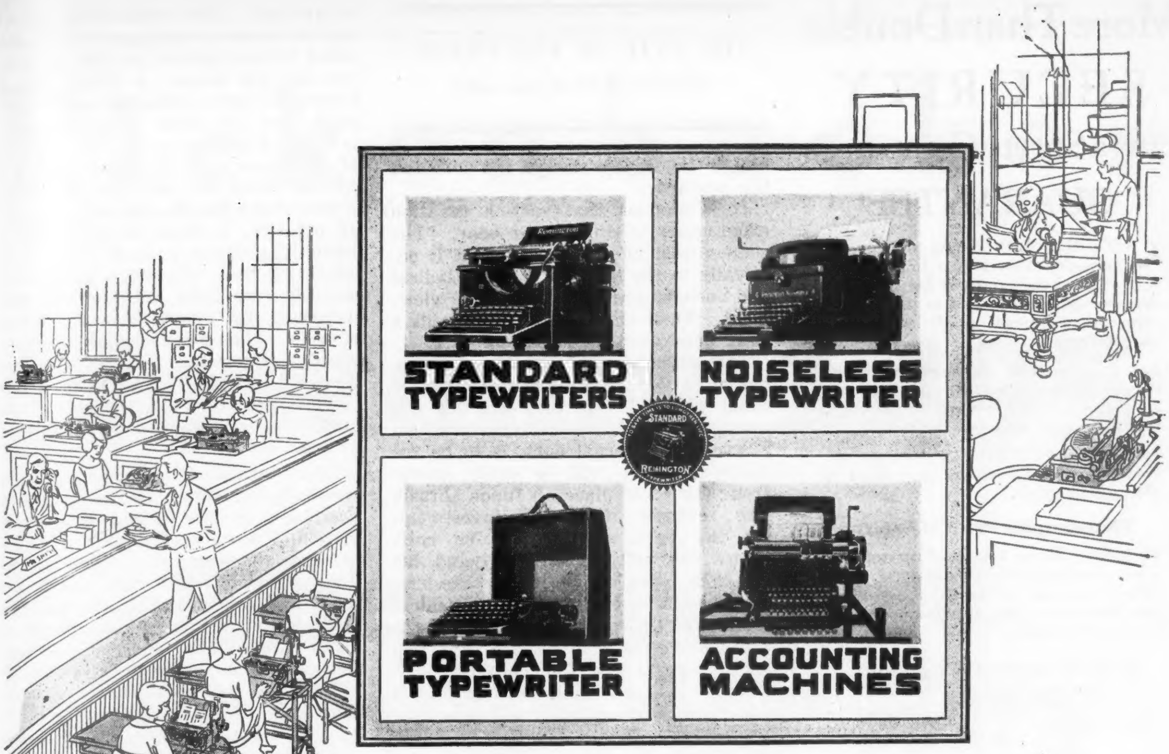
MOTORS—Production for May 394,781 passenger cars, compared with 402,574 units in April. Moderate decline in output of trucks. Manufacturers in low-priced field are evidently preparing for more intensive competition during the Fall season.

TIRES—Original equipment business heavy but likely to fall off with slowing automobile production. Replacement demand has not been up to expectations, probably because of backward weather. Inventories at high level, suggesting need for curtailment of operations. Price situation unchanged.

FARM MACHINERY—Domestic and export sales of agricultural machinery have been running well in excess of last year with greater percentage gain in foreign business. Earnings of farm implement companies should make good showing for first half-year with encouraging outlook for remaining months.

TOBACCO—Outlook for tobacco companies is promising. Sales of cigarettes are still expanding as indicated by May statistics while improvement in cigar branch of industry continues. Price situation remains stable.

SUMMARY—Evidences of resistance to decline in wholesale commodity prices are appearing though many cross currents are present. Business is in a happier mood and less disposed to anticipate a material slump owing to fairly well sustained level of manufacturing activities. Seasonal dullness, however, is beginning to be felt.



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THE FATE OF THE FRANC

(Continued from page 415)

tion on the middle classes, the poor and the peasantry.

It is obvious that such a taxation programme is difficult to bear. The classes most affected would fight it politically to the last ditch. The Radical and Socialist parties embody their viewpoint. Their chief, M. Herriot holds a whip hand over the situation.

The other horn of the dilemma, repudiation of the internal debt, faces equal political repercussions. If the greatest single French investment in France, the internal debt, is to be repudiated, there will be every excuse from now on to place all funds abroad. The rewards of French investment, for the Frenchman, would be ruin. Hence the petty bondholder, and his numbers are legion in France, regards such a proposal as the entering wedge of communism. There are acute observers who declare that any such proposal would be politically suicidal for any party attempting it. Yet it remains a practical proposal, whereas increases in taxation are nebulous and uncertain. Nominally French taxation should yield much more than it does to-day. On coupons, dividends, etc. of domestic corporations deducted at source, such revenues are collected, but income taxes, etc., are notoriously inefficient. Hence it is not the mere enactment of more taxation, so much as the enforcement of taxation that is needed. To enforce taxation in the rural districts would call for a *regime* that is unfamiliar to Frenchmen and certainly would be met with great antagonism.

Inflation Seems Quite the Easiest Way

It must be remembered that inflation is predestined whereas all other schemes are alternative. It is this single fact that promotes pessimism more than any other. Pending repudiation of the internal debt, increased taxation, a capital levy, receipts from Germany, favorable British and American refunding, etc., the State must live. In order to live it must resort to inflation. In lieu of any other alternative, inflation remains a fact. It is in possession of the ground. Admittedly, there must be a considerably greater inflation before there will be a remedy. An expert committee will make its report in July. But no matter how expert it cannot move outside of fundamentals, and enactment of its recommendations will be fought. In the meantime the Morgan credit has been depleted, although there is bitter controversy as to how far depleted. For the present the franc looks as if it will go much lower.

Inflation also profits certain classes. Exports are large because Frenchmen can cut the world price. Inflation not only adds to industrialists' gold receipts, but diminishes their paper franc obligations. True when they pay for imports these advantages will be cancelled to some extent, but the reckoning has not yet come. A large part of French industry, commerce and employment, and therefore taxable capacity, is to-day a product of the low quotation of the franc. On the other hand it is cutting down the internal purchasing power of the nation, and will lead, like all inflation, to financial ruin. Unfortunately, inflation must go on at an accelerating rate. Currency issues which scarcely rose from 1919 to 1925 have increased by about 50% in sixteen months. Unless something intervenes rapidly this rate of increase will be exceeded this year. Once this tendency becomes manifest the decline in franc quotations will also become more rapid. (Please see graph.)

Every stabilization scheme costs somebody something. Should the export position of France be injured by stabilization, France may duplicate the experience of Germany. There was no unemployment when the mark was reaching astronomical figures, but there is a steady number of unemployed, or about two million, since stabilization. Germany is under the thumb of foreign powers, so that social order is maintained by dread. But France is not subject to any supervision. With Paris more than a third Bolshevik in times of apparent prosperity, the great city may be tempted to repeat the Commune of 1871 in times of great misery. This is far-fetched but is must not be forgotten that Left tendencies, of the Red variety, are more evident in France in its prosperity than in Germany in its adversity. French politicians are not neglecting this remote, but not altogether improbable contingency. Such developments would, of course, imperil the external obligations of France.

It is often urged that it would not be difficult to repudiate the internal debt as it has been repudiated by 85% already, as the franc is quoted at only 15% of par. But this overlooks the fact that most French bonds have been issued since the reduction in value of the Franc and were eagerly subscribed for at eight, seven, six and five cents per franc, in order to average on the losses down from parity. France has purchased these bonds on the scale down, and repudiation would all the more be a step fraught with great danger.

If inflation continues it will become increasingly difficult to take care of the external dollar debt. Imports will be cut down considerably. Social discontent will become aggressive as the purchasing power of wages becomes minimal. All of these considerations will injure American investors and business men.

France is a proud and victorious state that will not yield to the humiliation of a Dawes Plan. Foreign trusteeship is out of the question. Since all internal currency solutions of France are beset with dangers, it seems logical to believe that inflation will continue and that there is no present sign of a resuscitation of the franc.

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PART III: THE TECHNIQUE OF MANIPULATION

(Continued from page 437)

in position to support his stock on the approaching reaction. So great is the momentum, however, that the price holds firm for a few days and then climbs on large sales volume to 102. On this spurt he puts out more short stock. Outside buying now subsides, and the pool manager places supporting orders to buy stock on a scale down. The clean-up stage is shown on the accompanying graph by the interval, B to C.

Accumulation—2d Stage (See chart — interval C to D.) Professionals are quick to sense the cessation of "good buying" and promptly cash in their profits. The resulting reaction shakes out other long stock and invites fresh short selling. All this stock is absorbed by the pool, as it is offered, and heavy supporting orders are then placed at prices fractionally under the market, to keep the reaction from getting out of bounds. Floor traders, seeing this support, cease selling and begin to cover their shorts. The price recovers and proceeds to reach a new high point. Pool selling and covering then proceeds alternately, as described under the first stage of manipulation, until the pool has succeeded in acquiring the remainder of its line of 100,000 shares.

The average price paid for the full line may have been around 96. There are expenses, of course, for commissions, interest, taxes, etc.; but profits on the intermediate short trades may have marked the average cost down far enough to offset these charges.

These diversions of short selling place the pool in a position to support its stock on reactions without acquiring more stock than its cash and credit resources will warrant carrying, they augment its profits, and add enough temporarily to the floating supply, that has been in reality diminished by the pool's accumulations, to dispel all fear that the stock may be cornered. Moreover, these sporadic reactions make the stock more popular as a trading medium; for speculators like to feel that they can either buy or sell any reasonable quantity of stock at all times without causing much of a flurry in the price. Manipulation has at least one economic value insofar as it stabilizes the market for stocks, and so renders them at all times a highly liquid asset.

As the true floating supply grows progressively smaller through the pool's accumulation, and belief in the permanency of the movement begins to spread among speculators in ever-widening circles, each rally will reach new heights, and each reaction will stop short of the previous low. This results in the characteristic step-ladder formation, shown on the accompanying graph.

On any reaction there will be many holders who wish they had been foresighted enough to get out while the opportunity was there, but they will not do so three or four points from the top. Such speculators always vow they will surely sell out on the next rally, and place their selling orders in advance to fortify this resolve. When the rally actually begins, however, they recover fresh hope from the renewed strength and quickly cancel such orders. With each rally after a reaction, the public gains confidence until everyone becomes convinced that it has become a permanent and immutable habit for the stock to go on indefinitely making new highs after each set-back, and the public begins to buy fearlessly on all reactions.

Sometimes outside selling, precipated by unexpected bearish news, or induced by unusually fierce attacks from professionals, may bring in heavier selling than the pool manager deems it prudent to absorb; so he simply stands aside until the storm abates. During the earlier stages of a bull market such reactions seldom wipe out more than one-third of the total gain, and the manipulator knows that, if the stock has value and general market conditions are favorable, he can always nurse the price back without undue delay and expense.

Our next installment will conclude The Technique of Manipulation.

APRIL RAILROAD EARNINGS AT HIGH RATE

(Continued from page 432)

participated to an important degree in the general advance in the railroad shares and offer a good investment opportunity at current levels.

Other roads making an exceptionally good showing include *Pere Marquette, Baltimore & Ohio, Missouri Pacific, Canadian Pacific* and *Pennsylvania.*

Chicago, Rock Island & Pacific earnings so far this year have fallen behind the 1925 results, but this has been due largely to heavier expenditures for maintenance. Traffic outlook is very favorable and earnings in the last six months of the year should pick up sufficiently to enable the road to show final results, at least up to last year's figures when $5 a share was earned on the common stock.

Freight traffic in May was at a record-breaking pace and as the railroads were able to handle this large volume efficiently, very favorable returns for the month are indicated.

With the prospect of good earnings for at least several months to come, and important railroad mergers pending railroad securities are likely to occupy the center of the stage. There still remain good opportunity for profit and income, in this class of security.

Will You Catch the Next Move?

The stock market break in March probably affected more investors and traders than any other downward movement in the history of Wall Street.

Wyckoff subscribers, however, were unaffected; they were out of the market, due to our specific telephone or telegraph advice, before the break came.

Since March our clients have been realizing substantial profits. Market prices have been advancing and they have been in the right stocks.

If another break should come, would you be able to detect it in advance or

Would Your Profits Disappear?

In order to improve or cash in on your present position, it is absolutely essential to ascertain definitely just what the prospects are for the next important move in the market. This you must do without a moment's further delay.

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Of the securities you hold, either for investment or trading purposes, there are undoubtedly some in a weak technical, statistical or trade position. Our experts can point out for you the stocks that are in the best position to withstand the raiding of bear traders and the liquidation of other large holders.

We can surely put you in a much stronger position strategically than you are now in.

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RAILS

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1925 High	Post-War Period 1919-1925 Low	1926 High	1926 Low	Last Sale 6/23/26	Div'd $ Per Share
Atchison	125⅜	90¼	111¼	70	140½	91¾	140⅜	122	135⅝	7
Do. Pfd.	106¾	96	102⅛	75	98	72	100	94⅛	100	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	262½	181½	216½	‡7
Baltimore & Ohio	122¼	90⅜	96	88¼	94½	27⅝	96½	83½	94½	5
Do. Pfd.	96	77¼	80	48¼	67¾	38½	71⅛	67½	†70⅝	4
Bklyn-Man. Transit	..	..	..	..	64	9¼	69¼	54⅛	64	4
Do. Pfd.	..	..	..	..	83¾	31⅜	86¼	78	†84¾	6
Canadian Pacific	283	165	220⅛	126	170⅞	101	164½	146½	163½	10
Chesapeake & Ohio	92	51⅛	71	35⅝	130½	46	136¼	112	132½	‡8
Do. Pfd.	..	..	..	..	130	96	136	119	†132½	6½
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	3¼	14⅛	9	11	..
Do. Pfd.	181	130½	143	62½	76	7	22¼	14⅛	18½	..
Chi. & Northwestern	198½	123	136⅞	35	105	45⅞	81⅞	65¼	74⅛	4
Chicago, R. I. & Pacific	..	..	45¾	16	58⅞	19⅛	60¾	40½	52⅜	..
Do. 7% Pfd.	..	..	94¾	44	105	64	101¼	96	98	7
Do. 6% Pfd.	..	..	80	35¾	93¾	54	90	83¼	86½	6
Delaware & Hudson	200	147½	159½	87	160¾	83¼	174¼	150¼	162¾	9
Delaware, Lack. & W.	340	192½	242	160	260⅛	93	153⅛	129	144⅛	‡6
Erie	61¼	33⅛	59½	18¾	39½	7	40	22½	35⅜	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	49¼	11⅛	45⅝	33¾	41¼	..
Do. 2nd Pfd.	89⅛	19½	45⅝	13⅛	46¼	7⅛	43	30	39	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	50⅝	78⅝	68½	76⅝	5
Hudson & Manhattan	..	..	..	..	38⅜	20⅝	40	35	38½	2½
Illinois Central	162⅛	102¾	115	85¾	125½	80⅞	124	113½	122	7
Interboro Rap. Transit	..	..	..	..	39¼	9½	52¼	24½	44½	..
Kansas City Southern	50¼	21⅜	35⅛	13½	51	13	49⅜	34¼	44⅝	..
Do. Pfd	75½	56	65½	40	63¼	40	66¼	60⅝	66¼	4
Lehigh Valley	121¼	62½	87⅛	50⅜	88½	39½	89⅜	75½	87	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	143	118	134	6
Mo., Kansas & Texas	*51⅛	*17½	*24	*3⅛	45⅛	*¾	47⅛	32	37⅜	..
Do. Pfd.	*78¼	*46	*60	*6½	92⅛	*2	95	82	91⅝	6
Missouri Pacific	*77½	*21⅛	38½	19⅞	41¾	8¼	40¼	27	38	..
Do. Pfd.	..	..	64⅞	87½	91⅛	22¼	89½	71½	88⅝	..
N. Y. Central	147¾	90⅜	114¼	62½	137½	64⅛	135⅝	117	130⅝	7
N. Y., Chi. & St. Louis	109¾	90	90¾	55	183	23¾	181¾	130	175	11
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	47	9⅝	45¾	30⅝	44	..
N. Y., Ontario & W.	55⅜	25⅛	35	17	34¾	14¼	28⅞	19¾	24½	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	151⅜	84¼	157¼	139¼	152	‡7
Northern Pacific	150½	101¾	118⅞	75	99⅞	47⅞	76½	65¾	74	5
Pennsylvania	75⅝	53	61½	40¼	53⅜	32¼	55⅛	48⅝	52¾	3
Pere Marquette	*36½	*15	38⅛	9½	85½	12⅛	95¾	67	92¼	‡6
Pittsburgh & W. Va.	..	..	40⅜	17¾	123	21⅛	119⅜	85	110	6
Reading	89⅝	59	115½	60⅛	108	51⅞	97⅞	79	94⅞	..
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	42	40	†40	2
Do. 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	44	40	†42¾	2
St. Louis-San Fran.	*74	*13	50½	21	102¼	10¾	101¼	85	95¾	7
St. Louis Southwestern	40⅜	18½	32⅛	11	69¼	10⅞	74	57½	67⅝	..
Seaboard Air Line	27½	13¼	22⅜	7	54¼	2⅛	51	27½	33¾	..
Do. Pfd.	56½	23½	58	15⅛	51½	3	48⅜	31½	†36	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	105⅝	96⅛	103¼	6
Southern Railway	34	18	36¾	12½	120½	24¾	119¾	103⅝	117⅜	7
Do. Pfd.	86⅞	43	85¼	42	95½	42	92½	87½	92½	5
Texas & Pacific	40½	10¼	29½	6½	70½	14	61⅝	42⅛	54	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	152½	141½	151¾	10
Do. Pfd.	118½	79¾	86	69	80	61¼	80	74¾	†79⅛	4
Wabash	*27⅞	*2	17½	7	47¼	6	52	33⅞	†46⅞	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	73⅞	17	78¾	68	75	5
Do. Pfd. B	..	..	32⅞	18	60½	12¼	72	57	†63	..
Western Maryland	*56	*40	23	9¼	18⅜	8	16⅝	11	13	..
Do. 2nd Pfd.	*88¼	*53½	*58	20	*30	11	24	16⅜	†19½	..
Western Pacific	..	..	25½	11	40	12	39¼	33¼	35¼	..
Do. Pfd.	..	..	64	35	86½	51½	83½	77½	†81	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	32	6	32	18	24⅜	..
Do. Pfd.	..	..	50⅝	16⅝	53½	9¼	50½	37	45	..

INDUSTRIALS

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1925 High	Post-War Period 1919-1925 Low	1926 High	1926 Low	Last Sale 6/23/26	Div'd $ Per Share
Adams Express	270	90	154½	42	117¼	22	116	99⅞	110⅜	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	16	7½	9½	..
Allied Chem. & Dye	..	..	..	..	116⅝	34	142	106	122¾	4
Do. Pfd.	..	..	..	..	121¼	83	122⅛	118¾	†120¼	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	97¼	26⅛	94½	78¼	86¾	6
Do. Pfd.	43	40	92	32½	109	67½	110½	105	†108¼	7
Am. Agric. Chem.	63⅝	33⅛	106	47¾	113¾	7⅛	34⅜	15	20¼	..
Do. Pfd.	105	90	103½	89⅛	103	18¾	96½	51	62⅛	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	38¾	21	24¼	..
Am. Bosch Magneto	..	..	..	..	143⅞	38½	34⅜	16	21⅞	..
Am. Can	47⅝	6⅞	68½	19¼	*297⅜	*21¼	58	38⅞	52	2
Do. Pfd.	129¼	98	114½	80	121⅞	72	126¼	121	†124⅛	7
Am. Car & Foundry	76½	36½	98	40	*201	97½	114⅞	91½	100⅞	6
Do. Pfd.	124¾	107½	119½	100	128	105¾	129¼	123½	129¼	7
Am. Express	300	94¾	140½	77½	17	76	140	105⅞	119½	6
Am. Hide & Leather	10	3	22⅛	2⅛	43⅛	5	17½	7	8	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅝	29¾	67¼	33½	43⅞	..
Am. Ice	..	..	49	8⅞	139	37	136	109	134	‡5
Am. International	..	..	62¾	12	132¼	17	46¾	33¾	35½	..
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	87	75	†76	7
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	119⅞	90¼	103⅝	8
Do. Pfd.	122	75	109	93	124	96½	120¼	117	117¼	7
Am. Metal	..	..	..	..	57⅝	38¾	57⅜	47	†51¾	4
Am. Radiator	*500	*200	*445	*235	*345	64	120¾	101¼	110	4
Am. Safety Razor	..	..	..	..	76¾	*3½	63	42	48¼	3
Am. Ship & Commerce	..	..	..	..	47½	4¾	11⅞	5½	9¼	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	144½	29¼	144¾	109⅝	126⅞	7
Do. Pfd.	116¾	98¼	118⅞	97	115¼	63¼	119	112⅞	118	7
Am. Steel Foundries	74½	24⅛	95	44	50	18	46⅞	40	42⅝	3
Do. Pfd.	..	..	..	..	113⅛	78	115	111	†114	7
Am. Sugar Refining	136⅝	99⅞	126½	89⅛	143⅜	36	82¾	65¼	70¼	5
Do. Pfd.	133⅛	110	123½	106	119	67½	105	100	101	7
Am. Sumatra Tobacco	..	..	145¾	15	120½	6	17⅜	8⅛	†12¼	..
Am. Tel. & Tel.	153¾	101	134½	90⅝	145	92⅛	150¾	139⅝	140	9

Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1925 High	Post-War Period 1919-1925 Low	1926 High	1926 Low	Last Sale 6/23/26	Div'd $ Per Share
Am. Tobacco	*530	*200	*256	*123	*314½	82⅛	121⅝	111⅜	117½	8
Do. Com. B	..	..	..	..	*210	81¼	120½	110⅛	116⅞	8
Am. Water Works & Elec.	..	..	..	..	*144	*4	74	43¾	57½	1.20
Am. Woolen	40⅝	15	60⅞	12	169½	34¾	42⅞	19	24¼	..
Do. Pfd.	107¾	74	102	72½	111⅞	69½	89¾	66	72	7
Anaconda Copper	54⅜	27½	105⅜	24¼	77⅞	28½	51	41½	46½	3
Associated Dry Goods	..	..	28	10	*140½	46½	54⅞	37¼	42	2½
Do. 1st Pfd.	..	..	75	50½	102	49⅞	102½	96	†100	6
Do. 2nd Pfd.	..	..	49½	35	108	38	108	102	†102	7
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9¼	68⅜	33⅛	46	..
Do. Pfd.	32	10	74¾	9⅞	76½	6¾	56¼	35¼	46	..
Atlantic Refining	..	..	..	..	*1575	78½	128⅜	97	118	..
Austin Nichols	..	..	..	..	40⅜	8	28	11	†15½	..
Do. Pfd.	..	..	..	..	95	50⅝	93	75	76½	7
Baldwin Locomotive	60¾	36½	154½	26⅝	156¼	62¼	136⅛	92⅞	114	7
Do. Pfd.	107½	100¼	114	90	118	92	114	105	†109¼	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	50¼	37½	41⅛	..
Do. 7% Pfd.	80	47	186	68	108	78	105	99	100¼	7
Do. 8% Pfd.	..	..	110⅛	92½	116⅝	90	120	114	†116¼	8
Brooklyn Edison Electric	134	123	131	87	156½	82	146½	133	†141	8
Brooklyn Union Gas	164½	118	138¾	78	*128	41	81⅞	68	81¼	‡4
Burns Brothers	45	41	161½	50	147	76	141¼	121	137¼	10
Do. B	..	..	..	..	53	17	44	29⅞	†35½	2
Butte & Superior	..	..	105¼	12¼	37⅞	6½	16¼	7⅛	†10	2
California Packing	..	..	50	30	136½	48¼	179½	121¼	137½	8
California Petroleum	72½	16	42⅝	8	71⅞	15⅜	38⅛	30⅝	34⅛	2
Central Leather	51¾	16⅛	123	25⅞	116½	9⅝	20½	7⅛	9¾	..
Do. Pfd.	111	80	117½	94⅞	114	28½	68¾	43¼	56¼	..
Cerro de Pasco Copper	..	..	55	25	67½	23	69¼	57½	65⅛	4
Chandler Motor	..	..	109⅞	56	141¼	26⅞	26	11⅜	12¾	..
Chile Copper	..	..	39¼	11¼	38⅜	7	36⅜	30	33	2½
Chino Copper	50⅜	6	74	31⅜	50⅞	14¾	23	16	†21	..
Chrysler Corp.	..	..	..	..	*253	*108¼	54⅞	28½	32¾	3
Do. Pfd.	..	..	..	..	111⅞	100⅛	108	93	101½	8
Coca Cola	..	..	..	..	177¾	18	163	128	157⅛	7
Colorado Fuel & Iron	53	22½	66½	20½	56	20	44⅝	27⅜	41½	..
Columbia Gas & Elec.	..	..	54⅛	14¼	*114⅞	30¼	90	63⅛	81¼	5
Congoleum-Nairn	..	..	..	..	*184⅜	15⅞	23	12½	22⅜	..
Consolidated Cigar	..	..	..	..	80	11⅜	68	45½	60½	..
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	104½	87	96½	5
Continental Can	..	..	*127	*37½	*131¾	34⅜	92½	70	77⅜	‡5
Corn Products Refining	26½	7⅜	50½	7	*160½	21½	48⅜	35⅝	46¼	2
Do. Pfd.	98½	61	113½	58⅛	127	96	129⅛	122½	127½	7
Crucible Steel	19⅝	6½	109⅞	12¼	278⅛	48	81⅛	64	73	5
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	11½	8⅝	†9⅜	..
Do. Pfd.	..	..	100½	77¼	87	13⅛	49⅝	35½	38	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	30⅜	24	24⅞	2
Cuyamel Fruit	..	..	..	..	74½	44	51	42⅛	47⅛	4
Davison Chemical	..	..	..	..	81¼	20⅜	46⅜	27⅛	39	..
Dupont de Nemours	..	..	..	..	271¼	105	246	193⅛	230¼	‡10
Eastman Kodak	*No Sales		*605	*605	*690	70	112⅜	106⅝	110½	‡5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	85⅞	71⅛	83⅞	‡5
Endicott-Johnson	..	..	..	..	150	44	72⅝	65½	67¼	5
Do. Pfd.	..	..	..	..	119	84	118	114	†115	7
Famous Players-Lasky	..	..	..	..	123	40	127½	103⅛	122	10
Do. Pfd.	..	..	..	..	120	66	124	115	120¾	8
Fisher Body	..	..	43	25	*240	60¼	105¾	78¼	93½	5
Fisk Rubber	..	..	..	..	55	5½	26¼	14¼	18½	..
Do. 1st Pfd.	..	..	..	..	116½	38⅛	84¼	76⅞	81⅛	7
Fleischmann Co.	..	..	..	..	*171½	*75	56½	32¼	46¾	‡2
Foundation Co.	..	..	..	..	183¾	58½	179¾	85	[illegible]	8
Freeport-Texas	..	..	70½	25¾	64⅜	7½	34½	19⅝	31⅝	..
General Asphalt	42⅞	15½	39⅜	14¼	160	23	73	50	68½	..
General Cigar	..	..	..	..	115¼	47	59½	46	†53	4
General Electric	188½	129¾	187¼	118	337¼	109½	386½	285	336¾	8
General Motors	*51¾	*25	*850	*74½	149¾	*8⅛	148½	113¼	140¾	‡7
Do. 7% Pfd.	..	..	..	..	115	95⅛	120	113½	118⅞	7
General Petroleum	..	..	..	..	59⅛	38⅜	65⅞	49½	65	3
Goodrich (B. F.) Co.	86½	15⅛	80¼	19⅝	93⅜	17	70¾	45½	51⅛	4
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62½	100	96½	†95	7
Goodyear T. & R. Pfd.	..	..	..	..	114⅝	35	109¾	98½	104	7
Do. prior Pfd.	..	..	..	..	109	88	108⅝	105⅜	†106½	8
Granby Consolidated	78¼	26	120	58	80	12	23½	16⅛	20½	..
Great Northern Ore Ctfs.	88½	25½	50⅜	22½	52¾	24⅞	27¼	19	22	1¾
Gulf States Steel	..	..	137	58¾	104⅝	25	93⅜	62	75	5
Hayes Wheel	..	..	..	..	52⅞	30	46	30¾	33¾	‡3
Houston Oil	25½	8¼	86	10	116½	40½	72	50¼	60¼	..
Hudson Motor Car	..	..	..	..	139½	19⅛	123¼	52	52⅝	3½
Hupp Motor Car	..	..	11¾	2⅛	31	4⅝	28⅜	17	22⅜	1
Inland Steel	..	..	..	..	50	31⅛	43½	34½	†39	2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	22⅛	26⅞	20¾	23½	2
Inter. Business Mach.	..	..	52⅝	24	176¼	28¾	48¼	38⅛	46¼	3
Inter. Combustion Eng.	..	..	..	..	69½	19⅝	64½	33½	54	2
Inter. Harvester	..	..	121	104	149⅝	66¾	134½	112¼	123⅞	6
Inter. Merctl. Marine	9	2⅛	50⅝	⅝	67¾	4⅞	12⅜	7⅝	8	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	18½	46⅜	27	†36	..
Inter. Nickel	*227¼	*135	57½	24½	48½	24¼	46¼	32⅜	36½	2
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	63⅜	44⅛	52½	..
Kelly-Springfield Tire	..	..	85¼	36⅞	164	9¾	21½	12¼	14	..
Do. 8% Pfd.	..	..	101	72	110	33	74¾	51	61	..
Kennecott Copper	..	..	64¼	25	59¼	14⅝	58⅞	49¾	54½	4
Kinney (G. R.) Co.	..	..	..	..	103	35½	82⅛	61	70	4
Lima Locomotive	..	..	..	..	74⅞	52	69¾	53½	62⅛	4
Loew's, Inc.	..	..	..	..	44¾	10	41	34¼	37½	2
Loft, Inc.	..	..	..	..	28	5½	11¼	7	7¼	..
Lorillard (P.) Co.	*215½	*150	*239⅞	*144½	*245	30¼	42¼	35¼	39	3
Mack Trucks	..	..	..	..	242	25½	159	103½	116¾	6
Magma Copper	..	..	..	..	46	26⅛	44⅞	34	†38⅛	3
Mallinson & Co.	..	..	..	..	45	8	28⅛	15⅝	20¾	..
Maracaibo Oil Explor.	..	..	..	..	37½	16	28⅞	20¾	25⅜	..
Marland Oil	..	..	..	..	60½	12⅛	63⅜	49¾	60⅞	4

New York Stock Exchange

Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1925		1926		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	High	Low	6/23/26	Share
May Department Stores	*88	*65	*97½	*35	*174¾	*60	137½	106⅞	116½	5
Mexican Seaboard Oil	..	..	..	..	34½	5¾	12⅛	6	9⅞	..
Montgomery Ward	..	..	..	..	82½	12	82	56	69¾	..
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	96½	74	96¼	4
National Dairy Prod	..	..	..	..	81⅞	30⅛	80	53	70½	3
National Enam. & Stamp	30¼	9	54⅛	9	89½	18½	40⅛	22⅛	22⅝	..
National Lead	91	42½	74⅝	44	174¾	63⅛	174¾	138	159½	8
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅞	44¾	36½	43½	2
Do. Class A	..	..	..	..	57½	45½	60⅝	55¼	†60⅝	4
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	45⅞	32½	†35	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	67	42	51⅛	§10%
Do. Pfd.	..	..	..	..	50½	31⅞	51½	49	51½	3
Pacific Oil	..	..	..	..	78½	27½	83⅛	1	1⅜	..
Packard Motor Car	..	..	..	..	48½	9⅞	43⅜	31¾	41	2
Pan.-Am. Pet. & Trans	..	..	70¾	35	140¼	38⅛	76½	56⅛	72½	6
Do. Class B	..	..	..	..	111¾	34⅛	78⅜	56⅞	73¼	6
Philadelphia Co.	59¼	37	48⅞	21½	68¾	26⅛	76⅝	59⅛	†70½	4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	48⅜	36¼	39¾	..
Phillips Petroleum	..	..	..	..	69⅝	16	49⅛	40	47¾	3
Pierce-Arrow	..	..	65	25	99	6⅛	43⅛	19	25½	..
Do. Pfd.	..	..	109	88	111	13½	108⅞	76½	100	8
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	37¼	42⅛	29	†30½	..
Postum Cereal	..	..	..	..	*134	*47	124⅞	75½	94⅝	5
Pressed Steel Car	56	18½	88¼	17¼	113¾	39	41½	34⅛	†38	..
Do. Pfd.	112	88½	109⅛	69	106	67	87½	83¼	84¾	7
Pub. Serv. N. J.	..	..	..	..	87⅞	29	92⅛	72	86	5
Pullman Company	200	149	177	106½	173½	87¼	182½	145¼	180¾	8
Punta Alegre Sugar	..	..	51	29	120	24¾	47	33	34⅝	..
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	31	25⅜	27⅝	‡7½
Radio Corp. of Am.	..	..	..	..	77⅞	25⅞	48⅜	32	46	..
Ray Consol. Copper	27½	7⅛	37	15	27½	9⅞	14⅛	10½	13⅞	1
Replogle Steel	..	..	..	..	93½	7¼	15⅞	8⅞	9⅝	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	63⅜	44	52	..
Do. Pfd.	111¼	64½	112⅝	72	106¾	74	95¼	91¼	†92	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40¾	57⅜	50	53	a134
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	102½	73	81	4
Schulte Retail Stores	..	..	..	..	134⅞	88	138½	42½	46½	§8
Sears, Roebuck & Co	124¾	101	233	120	243	54¼	54¾	44¼	51½	2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	48⅝	40¾	†43	2.16
Shell Union Oil	..	..	..	..	28⅜	12⅛	28⅛	24	26	1.40
Simmons Company	..	..	..	..	54⅝	22	54½	38½	43	‡2
Simms Petroleum	..	..	..	..	28⅛	6⅛	28⅝	18	19¾	1
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	24⅞	19⅜	22⅝	..
Skelly Oil	..	..	..	..	35	8⅝	36⅛	26⅝	35½	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19½	143½	32⅛	136½	103	133	6
Standard Oil of Calif.	..	..	..	..	*135	47½	60⅝	52⅝	59⅞	2
Standard Oil N. J.	*448	*322	*800	*355	*212	30⅞	46⅜	40¼	45	1
Do. Pfd.	..	..	..	..	119⅛	100⅛	119⅛	116¼	117	7
Stewart-Warner Speed	..	..	*100½	*43	*181	21	92⅞	68⅜	74⅜	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	77¼	59⅞	63½	6
Studebaker Company	49½	15¾	195	20	*151	30½	61⅜	47	52¼	5
Do. Pfd.	98⅛	64½	119½	70	125	76	122½	114½	122½	7
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	16	10⅞	12	1
Texas Co.	144	74½	243	112	57¾	29	56	48	55	3
Texas Gulf Sulphur	..	..	..	..	121⅞	32⅝	145¼	119½	141⅝	10
Tex. & Pac. Coal & Oil	..	..	..	..	*275	30¼	19½	12⅛	14⅜	..
Tide Water Oil	..	..	225	165	195	5½	39¼	30¼	[illegible]	1½
Timken Roller Bearing	..	..	..	..	59⅜	28½	56½	44⅞	51⅞	‡3
Tobacco Products	145	100	82⅜	25	115	45	110⅜	95¼	102⅞	7
Do. Class A	..	..	..	..	110⅜	76½	113	103	†109	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	4¾	3	3⅞	..
Union Oil of Calif.	..	..	..	..	43⅜	33	56	37¼	51½	2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	99¼	83⅛	92¾	2
United Drug	..	..	90⅞	64	175⅛	46¼	167	134	156	8
Do. 1st Pfd.	..	..	54	46	58⅛	36¾	58¼	55½	†57	3½
United Fruit	208½	126½	175	105	246	95¾	114⅝	98	110	4
United Ry. Investment	49	16	27½	4¼	41	6	27½	19¾	†24¼	..
Do. Pfd.	77	30	49¼	10½	83¼	14	86¾	65	†75	..
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7¾	250	10⅛	210¼	150	186½	10
Do. Pfd.	84	40	67½	30	113	38	105	100¼	105	7
U. S. Indus. Alcohol	57¼	24	171½	15	167	35¼	75⅛	45⅜	57⅝	..
U. S. Realty & Imp.	87	49¾	63¾	8	*184½	17¼	71⅞	48⅛	60¼	4
U. S. Rubber	59½	27	80½	44	143¾	29½	88¼	50¼	61⅝	..
Do. 1st Pfd.	123½	98	115½	91	119½	66½	109	101½	106	8
U. S. Smelt., Ref. & Min.	59	30⅜	81½	20	78¼	18⅜	49⅞	36⅝	40¼	3½
U. S. Steel	94⅞	41¼	136⅝	38	139¼	70¼	139¾	117	137⅜	7
Do. Pfd.	131	102½	123	102	126⅝	104	130⅛	124½	128¾	7
Utah Copper	67½	38	130	48½	111	41¼	105	93	†97	5
Vanadium Corp.	..	..	..	..	97	19⅛	37½	29	35⅞	3
Western Union	86¼	56	105½	53⅜	144⅞	76	147⅜	134½	146⅛	8
Westinghouse Air Brake	141	132½	143	95	144	76	129½	105¼	128	‡6
Westinghouse E. & M.	45	24¾	74⅞	32	84	38⅞	79½	65	69⅜	4
White Eagle Oil	..	..	..	..	34	20	29¾	25⅛	27¾	2
White Motors	..	..	60	30	104½	[illegible]	90	51⅛	57	4
Willys-Overland	*75	*50	*325	15	40¼	4½	34	18	25⅞	..
Do. Pfd.	..	..	100	69	123⅞	23	99	91⅛	95¼	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	9	6	8¼	..
Woolworth (F. W.) Co.	*177⅞	*76½	*151	*81½	*345	72½	222	135¼	165½	‡4
Worthington Pump	..	..	69	23½	117	19⅞	44¾	20¼	31¾	..
Do. Pfd. A	..	..	100	85⅞	98½	65	80	68	†68	7
Do. Pfd. B	..	..	78⅜	50	81	53½	65	53	†57½	6
Youngstown Sh. & Tube	..	..	..	..	92⅛	59¾	89⅞	69	77	4

* Old stock. † Bid price given where no sales made. ‡ Not including extras. § Payable in stock.
a Paid this year.

Securities Analyzed, Rated and Mentioned in this Issue.

ANSWERS TO INQUIRIES

(Continued from page 458)

MACK TRUCK

I would appreciate your advice on Mack Trucks, on which I have a profit of about $30 a share.—L. A. R., St. Louis, Mo.

Results from operations of Mack Truck in the early months of 1926 can only be estimated as yet, but there are sound reasons for believing that profits will establish a new high record for the company. Net for the second quarter is estimated to run as high as $5 a share, against $3.32 in the first quarter, a total of $8.32 against about $12 in the 1925 half year. Recollect, however, that there were 339,730 shares outstanding in mid-year of 1925, against 611,515 shares as we write. An additional 100,000 shares previously offered and upon which payment will be made in August must be reckoned with in later months and will probably keep earnings per share below the figures of 1925, but from a net profit standpoint Mach Truck will, in all probability, equal or exceed previous showings. The stock appears rather undervalued around current levels.

MARLAND OIL

I have been accumulating Marland Oil on a small scale from around 36, and now have 70 shares. My average cost is about 48. What do you think of this as an investment?—C. M. E., Detroit, Mich.

Marland Oil has not as yet advanced to the stage where its common stock can be considered in the light of a high grade investment, but viewed as a business man's spec-vestment it has much to commend it. Financial condition is sound, the ratio of current assets to current liabilities standing at about 7 to 1. There are no bank loans outstanding and cash exceeds 3 millions. Working capital of around 18.2 millions appears adequate for the company's needs. Marland is doing well from an earnings standpoint, current net being estimated to be running at an $8 per share annual rate. In view of the company's large storage of crude, over 2.67 million barrels, it stands to benefit greatly from higher oil prices. From time to time Marland has been mentioned in connection with merger possibilities and although nothing tangible has developed to date, union with a refining company appears a logical step and one which should prove highly advantageous for all concerned. The stock appears in the light of an attractive holding.

ANACONDA COPPER

Is Anaconda interested in the New Copper Export Association, and to what extent will it help Anaconda, as I have understood that The American Brass Company and other industrial activities of the company render it largely independent of the general copper situation?—C. M. E., New York City.

Not only is Anaconda Copper very much interested in the new Copper Export Association, but C. F. Kelley,

president of the company, is generally recognized as the guiding spirit behind the formation of this combine. While it is true that to a large extent Anaconda is a self-contained unit, and is largely independent of the general copper situation, it is likewise obvious that it cannot fail to benefit, particularly abroad, through allying itself with what will doubtless be the greatest sales organization in mining history. Not only will this association embrace the largest mining companies of America, but it will take in the leading organizations abroad. Thus, ruinous competition, the bane of the copper producer will be practically eliminated. Aside from the advantage to be gained through this association, Anaconda is doing well. Net in 1925 was equal to $5.84 a share, with current earnings being estimated to be running at a satisfactory rate. Taken all in all, there appears considerable incentive to retain this stock.

KENNECOTT COPPER

When I wrote you some time ago regarding Kennecott, which was then selling around $50 a share, you advised me to have patience and hold it. Now that it is selling around $55 a share, which would give me ten points profit, would you advise me to sell it and get into some other copper stock which may move faster?—A. V. E., Newark, N. J.

No, we would not advise you to switch from Kennecott to another copper stock. The price movements of Kennecott thus far have been slow, reflecting the unsatisfactory metal situation, but this issue has been steadily creeping ahead, with the end not as yet in sight. It is gratifying to holders to note the success achieved by the company notwithstanding the fact that copper metal prices remain sub-normal. Earnings in 1925 were equal to $5.34 a share on the capital stock, and although it is too early to more than hazard an estimate of 1926 returns, indications are that the company will do as well if not better in ensuing months. Of course, the future prosperity of the company hinges largely upon later developments in the industry, but there is reason for believing that any change should be in the nature of an improvement. The formation of the Copper Export Association should pave the way for higher metal prices. We know of no copper stock, with the possible exception of Anaconda and Cerro de Pasco, so well situated to benefit from rising prices.

CENTRAL LEATHER

What is your opinion of Central Leather Preferred? Do you believe a reorganization can be worked out that will make the preferred stock worth any more than its present quotation? I read something about issuing no par common stock and thereby wiping out the deficit, but will this actually strengthen the company in any way? —P. A. M., Chicago, Ill.

The official publication of the long expected Central Leather readjustment plan is awaited with a great deal of interest. It was originally believed that such a plan would call for the granting of three-fourths of a share of new preferred stock for each share of old, with the dividend accumulations

taken care of in new no par common. It is probable that with some minor modifications such a plan will shortly be announced. However, while this will improve the finances of the company it is hard to see where it will have an appreciable effect upon earning power. As we have often stated in these columns, aside from the profits resulting from its timber operations, Central Leather has experienced hard sledding in recent years, and current earnings are hardly sufficient to warrant optimism. The outlook is uncertain, so much so that we are influenced to suggest that you take advantage of current strength in the market to close out your holdings.

GENERAL MOTORS

In the face of so many disturbing reports about the automobile industry, General Motors continued to advance, and I now have a profit of about $80 a share. I have only 25 shares. Would you advise me to consider this as a permanent investment, or should I take my profit and put my funds in some other security? I am willing to carry the stock through speculative breaks if you think it eventually will sell still higher.—R. S. B., San Francisco, Calif.

The spectacular advance in the market valuation of General Motor shares has by no means been an abortive movement, a survey of the situation surrounding this company revealing ample justification. Nothwithstanding the fact that there has been a tendency toward slowing down in the automotive industry in general, this company continues to mark up new records in both production and sales. Thus we find that retail sales in May exceeded 141,000 cars, an increase over 5,000 over April, the best previous record, and almost three times the 53,698 of January. Retail sales over a five months' period reached the phenomenally high figure of 503,014 cars, against 320,496 in the same period of 1925. As a result, the company is estimated to have earned around $13 a share since the first of the year. It is probable that there will be a slowing down in later months but this company is so strongly entrenched, both financially and tradewise that it can depended upon to more than hold its own. In all probability 1926 will be the banner year in its history. In view of these circumstances we hold the market advance to be but a natural sequence. If you will not be disturbed by intermediate reactions it would probably be well to hold your shares a while longer.

SINCLAIR CONSOLIDATED OIL

I have been holding Sinclair common for several years. I bought 20 shares at 40, and took the stock up when it dropped to 25, when I bought 30 additional shares, giving me 50 which averaged me $30. Am I justified in holding my stock?—H. A. F., Newark, N. J.

A survey of the annual report of Sinclair Consolidated Oil covering 1925 operations reveals considerable improvement in the affairs of the company. Domestic crude production registered a 50% increase, aggregating over 9 million barrels, against 6.17 million barrels in 1924. At the end of the year Sinclair owned jointly with Stand-

(*Please turn to page 474*)

What Stocks To Buy?

Seldom have stock market conditions been as mixed as today. Some individual groups of stocks show vigorous advances, while others are experiencing liquidation, or doing nothing.

Even in respective groups of securities, cross currents are evident. One individual stock, for example, advances 35 points to a new high level, while the group as a whole is responding only moderately, numerous individual issues in the group rallying less than 5 points.

It is immediately apparent that, under such conditions, success in handling one's funds calls for the greatest discrimination.

WHAT TO BUY and WHAT TO AVOID?

Many stocks are clearly at inflated evels. Others are considerably below real values. They are the stocks that still offer the most attractive opportunity for profit.

What individual stocks and what groups of stocks are in a sound position and still on an attractive basis? What other groups and individual issues, that are over valued, should be absolutely avoided?

These different groups and individual issues are made clear in a NEW analysis of current stock market situation, just published. Such a study, under the present mixed conditions, should be invaluable to every investor.

To obtain a copy, free of charge, together with an analysis of an *individual long pull speculative opportunity*, with exactly the profits that are anticipated, simply sign and return the blank below.

American Institute of Finance

141 Milk Street, Boston, Mass.

Return the attached coupon and we will gladly mail you, without obligation, our new analysis of the mixed stock market situation.

AMERICAN INSTITUTE OF FINANCE,
141 Milk Street, Boston, Mass.
Please send me, free, Bulletin MWJJ

Name ....

Street ....

City and State ....

(Continued from page 472)

ard Oil of Indiana about 38 million barrels in storage. Net income after all deductions was equal to $1.01 a share, against a deficit of over 2 millions in the preceding year. Financial position was changed, although funded debt was reduced by about 2.4 millions, while notes payable declined from 3.6 millions to 2 millions. Further improvement has taken place in the first four months of the present year net earnings before depreciation and depletion amounting to about 9.3 millions, compared with 5.16 millions in the same period of 1925. In view of the improved outlook for the oil industry in general it is reasonable to believe the company will give a good account of itself in later months. There has been undeniable improvement in the affairs of the company and while it is probable that the bulk of earnings will be applied to the reduction of funded debt, the shares will probably reflect a rising oil stock market.

CHINESE HUKUANG RY. BONDS

Some time ago I presented a Hukuang Railway Bond coupon to my bank for payment but was informed that funds for that purpose were not available. Does this mean that the bond is now in default? I have always had trouble with these bonds. I am a widow and they were included in my husband's estate. Will you please inform me just what they represent?—Mrs. G. F. N., Los Angeles, Calif.

We are pleased to inform you that the December 15, 1925, coupon of the bonds you hold will be honored when presented for payment after June 15. Chinese Hukuang Railway bonds are obligations of the Chinese Government, for which the internal revenues of two provinces are pledged. Should service on the bonds, either as to principal or interest be defaulted, after a reasonable period of grace the provincial revenues are to be collected and disbursed by the Maritime Customs Administration. It is understood that a reasonable period of grace is about three months. That the late delay in payment is normal is shown by the fact that quotations were unaffected by the payment of the coupon. Speculative quality rests on recent decision of the Customs Conference at Pekin to abolish the provincial taxes pledged to the service of this loan. Upon the enforcement of such decision the Customs Administration is empowered to meet the service on these bonds out of customs. Thus a complete default means that they would rank as a senior obligation of the Republic of China, when the Maritime Customs Administration enforces the bond provisions.

LION OIL & REFINING

Prior to the publication of the 1925 earning statement of Lion Oil & Refining I purchased 50 shares at 24½. Although the company reported earnings of over $6 a share the stock sagged in the market, declining about 4 points below my purchase price. It has since recovered practically its entire loss and seems very strong in the market. Isn't the stock very cheap at these levels or is there "a nigger in the woodpile?"—V. C., Brooklyn, N. Y.

The sluggishness which until lately characterized the market movements of

(Please turn to page 476)

KEEP POSTED

The books, booklets, circulars and special letters listed blow have been prepared with the utmost care by business houses of the highest standard. They will be sent free on request, direct from the issuing house. sk for them by number.

We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

HOW TO JUDGE SOUTHERN MORTGAGE BONDS

This free booklet contains the net of this old-established Company's experience in the First Mortgage Investment Field in the South. Ask for (302).

CREATING GOOD INVESTMENTS

This 8-page booklet, issued by one of the largest first mortgage real estate bond houses, show you how to "check up" first mortgage real estate bonds. Send for (264).

A QUESTION ANSWERED

An extremely interesting illustrated booklet explaining how a stock exchange firm handles out of town business. It shows how orders are treated from the time the leter arrives to the final placing of the certificates purchased. (278)

THE REAL ESTATE INVESTMENT OF THE FUTURE

Mr. Fred F. French, one of the country's foremost real estate authorities, has explained the operation of the French Plan in the above mentioned book. Send for your free copy (348).

FIFTY-THREE YEARS OF PROVEN SAFETY

An interesting and handsomely illustrated booklet describing the investment principles which have made possible the record of "No Loss to Any Investor in Fifty-Three Years" for owners of Smith Bonds. Ask for (326).

THE PARTIAL PAYMENT

method of purchasing good securities in odd lots and full lots on convenient terms is explained in a free booklet issued by an old established New York Stock Exchange House. (224)

BOND RECORD

A convenient record book for listing bond holdings, interest payments, profits, etc. Title heading of book, "My Investments." A limited number is being distributed gratis by a leading Bond House. (285)

ATLANTA

If you are establishing a branch factory or office in the South, get a confidential survey strictly applicable to your business based on sound economics. Ask for 363.

8% AND SAFETY

To hasten the rapid growth of Florida, the rate for first mortgage bonds in that state is 8%. This interesting booklet tells why they are safe. (322)

THE FORMULA FOR WEALTH

The conservative plan explained in this simply-written booklet, if followed, will surely lead you to wealth. Ask for 351.

ODD LOTS

A well known New York Stock Exchange firm has ready for free distribution a booklet which explains the many advantages that trading in odd lots offers to both small and large investors. (225)

44 YEARS WITHOUT LOSS TO ANY INVESTOR

The well-known firm of investment bankers who bring out this booklet have endeavored in the 1925 edition to present a comprehensive story of the business methods which for 44 years have insured the safety of all their underwritings to the end that no investor has ever suffered a loss or been compelled to wait even a single day for the payment of principal and interest upon his securities. (217)

3 SAFETY FEATURES OF LEVERICH FIRST MORTGAGE REAL ESTATE BOND CERTIFICATE ISSUES

This interesting 12-page booklet explains the reasons why so many investors are turning to Leverich first mortgage real estate bonds or safety. Send for your free copy (371).

OVER THE COUNTER

Opportunities which constantly crop up in high grade over-the-counter securities are analyzed in a house organ issued bi-monthly by an unlisted securities house. Copies mailed on request. 373.

PROFIT POINTERS

If you are a conservative investor you should investigate the California Oil Stocks. You will find some pertinent facts concerning these securities if you send for the 374.

THE REAL ESTATE INVESTMENT OF THE FUTURE

Mr. Fred F. French, one of the country's foremost real estate authorities, has explained the operation of the French Plan in the above mentioned book. Send for your free copy (348).

LET YOUR MONEY EARN 6%

If you are a small investor, you cannot afford to risk your money in speculation. Place it in shares of one of the safest building and loan associations. Send for their booklet No. 293.

THE PRUDENCE PARTIAL PAYMENT PLAN

An interesting booklet describing how guaranteed first mortgage Prudence Bonds may be purchased in small installments. Special features of the booklet are the chart which shows how money grows and the fact that the partial payments draw 5½% interest. (316)

(Continued from page 474)

Lion Oil was probably due to lack of familiarity with the stock on the part of the general investing public. Lion has been listed on the Curb for about a year but its course marketwise has been singularly free from those abortive movements calculated to attract public attention. Actually, the company has much to commend it. In 1925, after writing off the equivalent of $5 a share in depreciation charges, Lion reported net earnings equal to $6.43 a share on the 200,000 shares of no par common. This was over three times the annual $2 a share dividend requirements. At the same time, its serial notes, the only capital obligation outside of the common, were reduced from 1.1 millions to ¾ of a million. Tradewise, the company is well situated. Lion operates in the Arkansas fields, and is estimated to have a daily production in excess of 5,000 barrels. Also owns a fully equipped and modern refinery of 10,000 barrels daily capacity. Transportation facilities consist of 787 tank cars and a pipe line system tapping the Louann, Smackover, Norphlet and Lisbon fields. As stated, the issue has been more or less neglected in the market, but lately has given some evidences of coming into its own. Our advice would be to maintain your present position.

GREAT CLIMATIC CHANGES FORECAST

(*Continued from page* 423)

Boreal and sub-Atlantic, the latter being of the present type. Illustrative of the Boreal period conclusive evidence is presented, that Scandinavia had the warm, rather aridly dry climate of Spain, and coincidentally the Caspian Basin had a cool wet climate, during which the Caspian rose some 90 feet above its present level.

In a recent article in *Die Erde*, a leading German scientific magazine, Dr. Gams, reviewing my theory of climatic causations, directed attention to the fact that the year 1925 witnessed great drought through Southern Scandinavia and North Germany, while the steppes and semi-deserts of the Caspian Basin had heavy rains and were covered with dense vegetation. This he notes is for a single year an exact parallel of the conditions of the Boreal climate, and from what I had laid down as a definite causation in the shifting of temperatures in massed ocean areas. In concluding his article, Dr. Gams states that, if my forecast for 1927 is sustained, this new departure in long range weather forecasting must be accepted or a better one offered.

Since the evidence that climatic changes do take place, as Dr. Sernander has stated, "with knife-edge sharpness" and not by the slow, almost imperceptible gradations of scholastic theory, would it not be well to undertake an open-minded examination of the overwhelming evidence of pending climatic changes which I have accumulated during the past five years?

Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$2	Am. Br. Bov. part.	$0.50	Q	7-10	7-20
$3	Am. St'l Found. cm.	$0.75	Q	7-1	7-15
$8	Am. Typef'drs cm..	$2.00	Q	7-3	7-15
7%	Am. Typef'drs pf..	1¾%	Q	7-3	7-15
$2.52	Assoc. Dry Gds....	$0.63	Q	7-10	8-2
7%	Austin Nichols pf..	1¾%	Q	7-15	8-1
7%	Burns Bros. pr. pf.	1¾%	Q	7-15	8-2
$4	Chic. Yell. Cab...	$0.33⅓	Q	7-20	8-2
$5	Crucible Steel cm..	$1.25	Q	7-15	7-31
6%	DuPont deb........	1½%	Q	7-10	7-26
$6	Elec. B. & Share pf.	$1.50	Q	7-10	8-2
$2.40	Fair, The, cm......	$0.20	Q	7-20	8-1
7%	Fair, The, pf......	1¾%	Q	7-20	8-1
$8	Famous Players pf.	$2.00	Q	7-15	8-2
$6	Gen. Motors 6% deb.	$1.50	Q	7-6	8-2
$6	Gen. Motors 6% pf.	$1.50	Q	7-6	8-2
$7	Gen. Motors 7% pf.	$1.75	Q	7-6	8-2
7%	Gimbel Bros. pf....	1¾%	Q	7-17	8-1
6%	Harb.-Walker pf...	1½%	Q	7-10	7-20
6%	Int'l Paper pf.....	1½%	Q	7-2	7-15
7%	Int'l Paper pf.....	1¾%	Q	7-2	7-15
$7	Loose-Wiles 2d pf..	$1.75	Q	7-19	8-1
$6	Louisville & Nash..	$3.00	SA	7-15	8-10
—	Louisville & Nash..	½%	EXT	7-15	8-10
$7	McCrory St'rs pf...	$1.75	Q	7-20	8-1
7%	Macy, R. H., pf...	1¾%	Q	7-17	8-1
$50	Mahoning Coal R. R. cm.	$12.50	Q	7-15	8-2
$2	N. Y. Air Brake cm.	$0.50	Q	7-12	8-1
$7	Oil Well Supply pf.	$1.75	Q	7-15	8-2
$2	Pack. Motor cm....	$0.50	Q	7-15	7-31

A BOOM IN CANADIAN SECURITIES?

(Continued from page 424)

millions, and mineral production with 228 millions. Manufactured goods exports, apart from what is comprised in the foregoing, was obviously secondary.

Certain broad developments have shown the future trend of Canadian development. Wood pulp production has risen by 10% in one year, and newsprint production by 15%. More and more this industry is being transferred from the States to Canada. But 1926 growth is even greater than that shown for 1925. For the first four months of this year, pulp production has gained 10% over the same period in 1925, and value of product is 18% more. Value of paper products is 12% greater.

In the meantime Americans stand to profit by this development to a great extent. Americans own 31% of all Canadian industrial investment, whereas Britons own only 10%. There are 1,200 American branch factories in Canada. American industrial investment, about 400 millions in 1915 is over 2.5 billions to-day. Americans own 20% of all Canadian government funds. It is American capital that has helped to build up Canadian industrial investment from 400 millions in 1900 to 3.5 billions to-day. This includes both American investment in Canadian enterprise, and our own branch factories. We have far surpassed Great Britain in our economic significance for Canada.

American investors must not only be wide-awake to the fundamentals of this great Canadian revival; they must be prepared to know more about the good and bad in its securities. For the number of Canadian securities enjoying primarily a Canadian market is large, while there are some prizes in the list, there are many which are worthless or nearly so.

THE PULLMAN COMPANY

(Continued from page 441)

investment issues. The amount of funds seeking investments of the better type have never been more plentiful than in recent months. This situation has forced an overflow from the bond market into preferred and even common stocks of established merit.

The rapid recovery of its investment status naturally attracted a considerable measure of investment buying of Pullman, which served to counteract over a short period the selling which developed on the part of disappointed speculators who were counting on a special distribution of some sort at an early date.

The advance in the price of the stock

to the high level attained last year and early this year, and at a time when stock prices as a whole are well below the peak, indicates that speculative buying has to a large extent been replaced by investment on the part of those not so much concerned with the prospects of immediate developments of a favorable nature as they are imbued with confidence that in the long run there should inevitably be sufficient enhancement in value to compensate them for the current low return.

The combination of a fundamentally essential business without competition, a proved and experienced management which has demonstrated ability to cope with changing conditions, and stability of earning power on a remarkably simple capitalization, is decidedly impressive. When we add to the foregoing qualities the known undervaluation of assets, particularly as regards the manufacturing subsidiary, and the consistently strong liquid position which permits the financing of requirements without outside assistance, the excellent market performance of Pullman shares becomes less of a mystery. *Pullman around 176 is in the rather unusual position of being unattractive for income, none too well assured of early profits, and yet at the same time far from undesirable on the basis of the logical evolution to be expected from the inherent values in evidence at this time.*

CORRECTION

IN our June 5 issue, in connection with the article "The Automobile Industry's Graveyard," we published a list of automobile companies (reproduced from MOTOR) which had either completely gone out of business or which had suspended production of passenger cars. The caption attached to this list was: "The Record of Automobile Companies Which Have Gone Out of Business." The possibility of this caption's being misconstrued has been called to our attention since several of the companies listed have merely quit production of passenger cars, but have since devoted themselves successfully to the manufacture of trucks and buses. It is obvious that the fact that a company may have suspended one type of production does not indicate that it has gone out of business. The list published, therefore, referred only to mortality of *passenger car* manufacturers. We regret if any confusion has been caused in the minds of our readers.

The Magazine of Wall Street has compiled a list of books on Speculation, Economics and Business subjects published by other companies. All of these books have been read by our Staff of experts and we heartily recommend them to our readers. We invite further correspondence about this list. Address your inquiries care of Book Department.

State and Municipal Bonds
Suitable for Bank Investments

HIGHER-GRADE MUNICIPALS

	Rate	Maturity	Approximate Yield
California	4¼	1957	4.05%
Colorado	5	1941-31	4.20
Delaware	4	1965	4.00
Illinois	4	1941	4.00
Iowa	4½	1942	4.05
Kansas	4½	1945	4.10
Michigan	4	1944	4.00
Minnesota	4¼	1944	4.10
Missouri	4¼	1936	4.05
New Jersey	4¼	1940	4.00
North Dakota	5¼	1949	4.50
Oregon	4½	1937	4.15
South Dakota	5	1940	4.40
Tennessee	4¼	1952-59	4.05
West Virginia	4	1946	4.05
Baltimore, Md. Reg.	4	1949	4.00
Bayonne, N. J.	4½	1933	4.29
Buffalo, N. Y.	4	1967	4.00
Camden, N. J.	4¼	1952-62	4.10
Chicago, Ill.	4	1937-9	4.00
Cincinnati, O.	4½	1955	4.10
Cleveland, Ohio	4¼	1939	4.10
Columbus, O.	4½	1936	4.15
Dallas, Tex.	4¼	1945-50	4.20
Denver, Colo.	4½	1940-45	4.10
Des Moines, Iowa	4½	1945	4.15
Detroit, Mich.	4½	1938-54	4.15
Grand Rapids, Mich.	4¼	1940-46	4.05
Huntington, W. Va.	4½	1950	4.25
Kansas City, Mo.	4½	1942	4.10
Lansing, Mich.	4½	1945	4.15
Lincoln, Neb.	4¾	1946	4.20
Los Angeles, Calif.	5	1949	4.45
Louisville, Ky.	4¼	1966	4.05
Milwaukee, Wis.	5	1937-8	4.10
Minneapolis, Minn.	4	1935	4.05
New Haven, Conn.	4¼	1940	4.05
Oakland, Calif.	4½	1946	4.30
Paterson, N. J.	4½	1945	4.20
Pawtucket, R. I.	4¼	1940-45	4.10
Portland, Me.	4	1936	4.00
Providence, R. I.	4	1956	4.00
San Antonio, Texas	5	1931-59	4.35
San Diego, Calif.	5	1931-66	4.40
San Francisco, Calif.	4½	1941	4.30
St. Louis, Mo.	4½	1940	4.10
St. Paul, Minn.	4½	1954	4.05
Trenton, N. J.	4	1941	4.05
Youngstown, Ohio	5¼	1932	4.30

Average Yield, 4.13.

All of the bonds listed are legal for savings banks investments in the three states of New York, Connecticut and Massachusetts. All three have extremely rigorous standards with reference to State and Municipal bonds, but it appears that their standards differ, and it has been found that the combined requirements of the three states ensure the utmost in safety. No town with less than 25,000 inhabitants has its bonds represented because, as a rule, their marketability is inferior. Every effort has been made to exclude bonds subject to local taxation. This list will be revised constantly, on the basis of yield. It is felt that the yields obtainable are as high as possible in view of the strict requirements.

INSURANCE DEPARTMENT

(Continued from page 452)

porting, no children, physically o. k. all my life, enough cash for any emergency (equivalent of $10,000) and have $1,000 policy taken out when about 16 years old. I would not favor any policy which had no disability clauses of some kind. I served both here and in France.

If the above information will help you to help me, I will appreciate it very much.—E. S.

We have your letter of June 3rd and are making immediate reply. Life insurance may be termed in short phrase as "A very present help in time of need." You probably have not favored it in the past because you have not really understood its wide protection. While your wife is at present self-supporting, she may not continue to earn her living indefinitely. It may be that increased domestic duties, ill health, loss of position, or possibly disinclination to continue in business life may be the cause of your becoming entirely responsible for her maintenance. In any event, you would wish to feel that your wife had immediate provision made to give her *ready cash* to tide over the period of readjustment. Life insurance meets this need, because the full amount of the policy is payable to the beneficiary if death occurs at any time after the payment of the first premium. Moreover, claims are paid after receipt and approval of claim papers with great celerity by life insurance companies—frequently within twenty-four hours.

You should undoubtedly take advantage of your privilege to convert your government insurance, because it is cheap protection with broad benefits, and, moreover, premiums are reducible by annual dividends. It includes a Disability Benefit which extends throughout the life of the policy, and there is no extra charge for this benefit.

We have consistently recommended the Ordinary Life Policy when converting government insurance as we consider it their "best bargain." Total and permanent disability benefits under government insurance, as stated above, extend into old age and throughout the life of the insured under the Ordinary Life and Limited Payment Plans, whereas in private companies this benefit is only offered up to age 60 or 65 because disability is so apt to occur at the older ages. If the lack of vitality which comes with increasing old age unfits the insured from pursuing any substantially gainful occupation, founded upon conditions which make it reasonably certain that the disability will continue throughout the life of the insured thereafter, premiums under the Ordinary Life Policy, would, of course, be waived and the Disability Benefits would become operative.

Bank and Insurance Stocks

Quotations as of Recent Date

NATIONAL BANKS:	Bid	Asked
American Ex-Pacific (18A)	438	445
Chase (20A) (D)	431	435
Chatham & Phenix (16)	361	370
Chemical (24)	780	795
City (20A)	607	613
Commerce (16)	379	384
First (N. Y.) (100A)	2550	2600
Hanover (27) (F)	1040	1065
Park (24)	490	500
Public (16) (D)	550	560
Seaboard (16)	600	620
TRUST COMPANIES:		
Bankers (20)	624	630
Bank of N. Y. & Trust Co. (22)	615	625
Brooklyn (30)	775	790
Central Union (33)	850	865
Empire (16)	344	350
Equitable (12)	267	271
Farmers' L. & T. (16)	535	545
Guaranty (12)	385	390
Irving-Columbia (14)	315	320
Manufacturers (20)	510	515
New York (20)	507	515
United States (60)	1720	1760
STATE BANKS (NEW YORK):		
America (12)	355	...
Corn Exchange (20)	595	605
Manhattan Co. (8C)	230	235
State (16)	590	610
United States (10)	310	320
INSURANCE COMPANIES:		
Aetna Fire (24)	550	560
Aetna Life (12)	685	695
{ *Fidelity-Phenix (6)	187	192
{ *Continental (6)	130	134
Glens Falls (1.60)	38	41
Globe & Rutgers (28)	1450	1525
Great American (16)	288	291
Hanover (5)	183	189
Hartford Fire (20)	505	515
{ *Home (18)	352	358
{ *Carolina (1)	28	31
Milwaukee Mech. (2.20)	32	35
National Fire (20)	725	740
Niagara (10)	228	...
{ *North River (4)	107	115
{ *United States (4.80)	139	145
Stuyvesant (6)	215	225
Travelers (20)	1230	1250
Westchester (2.50)	45	46
SURETY AND MORTGAGE COMPANIES		
American Surety (8)	173	177
National Surety (9)	215	220
Lawyers Mortgage (14)	278	283
Mortgage Bond (8)	135	145
JOINT STOCK LAND BANKS:		
Bankers of Milwaukee	90	100
Chicago (10)	118	123
Dallas (10)	140	150
Denver (8)	128	133
Des Moines (4E)	95	100
First Carolina (8)	122	126
Kansas City (10)	120	125
Lincoln (9)	130	135
St. Louis (9)	140	150
Southern Minnesota	95	100
Virginia (.50B)	7⅛	7½

(A) Includes dividends from Securities Company. (B) Par $5. (C) Par $50. (D) Ex-rights. (E) Annual rate not definite. Based on Jan. 1st payment. *Members same group. (F) Ex-dividend.

BANK and Insurance stocks have had a quiet market with few considerable advances or declines. Joint stock land bank stocks have shown some weakness. This has excited some comment because of a bullish factor in the shape of a modification of the famous real estate ruling last winter of the Federal Farm Loan Board. Instead of holding that real estate possessed by joint stock land banks was not to be treated as an asset that could be used as a basis for dividend payments, the board has greatly liberalized this rule, and permitted such valuations for such purposes, to a limited extent and dependent upon semi-annual appraisal. Undoubtedly this modification would have stimulated the price of Joint Stock Land Bank stocks if it were not for the skepticism, which is widespread, as to continuance of present high dividend rate by several of the larger banks. *Bankers of Milwaukee* has not payed its July 1st dividend, and it is understood that at least three other large banks may not continue the present rate, although this is not yet certain. *Des Moines* will probably try to continue its rate. *Denver, Dallas, First Carolina, Lincoln, St. Louis* and *Virginian* undoubtedly will declare their July 1st dividend at present rates. *New York Joint Stock Land Bank* will initiate 10% annual dividend. This is the first dividend initiation this year. In view of the uncertainty as to rate of dividend by several larger institutions the market has weakened. As a matter of fact the building up of surpluses by the Joint Stock Land Banks is proceeding at a good rate, and all of the important banks are being strengthened greatly. It would pay the cautious investor to buy several whose balance sheets show progressive gains, despite a more conservative dividend policy. Joint Stock Land bank stocks are to-day cheap, and represents one of the few really undervalued *groups*. Of course, advance in values in a field where skepticism has ruled for six months will not take place immediately, but this is a real opportunity for the "panic buyer." In the meantime such banks as *Denver, Lincoln* and *St. Louis* will show good yields. Hence speculation in these stocks is attended with a handsome income while awaiting gains in price.

Real Estate activity is continuing, and so the recent acceptance of 16 millions of mortgages by so conservative a company as *Lawyers Mortgage* has focussed attention on the Mortgage Company stocks. Selling on a 5% basis, the belief in the possibilities of a higher dividend rate is probably the motive back of much of the buying of Lawyers Mortgage. However, the Lawyers Mortgage Company is more likely to conserve its funds after its recent capital increase. It has never ceased to warn of a possible reaction in real estate values and the need of equipping a sound company for such a recession. Hence it is in the increased surplus rather than in liberal disbursements that the future worth of *Lawyers Mortgage* is likely to rest. Whenever the stock dips below 270 it is very attractive.

Mortgage Bond Co. does a diversified mortgage business, primarily on smaller

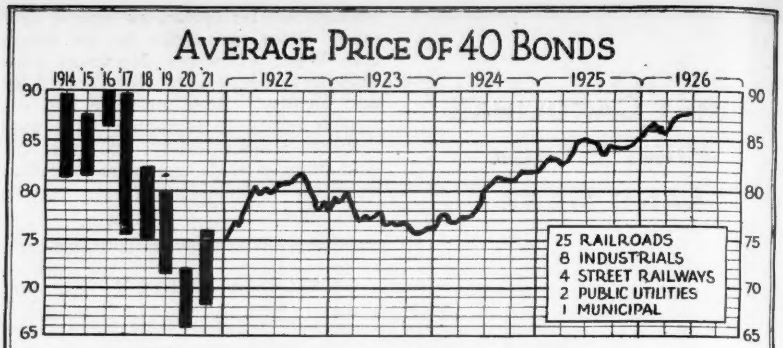
residences. Its operations extend over many cities, primarily in the South and West. Lawyers Mortgage confines its operations to New York City and vicinity. Both intensive and extensive mortgage companies have wide scope and much safety, and it is the soundness of their management rather than the geographical factor that is important.

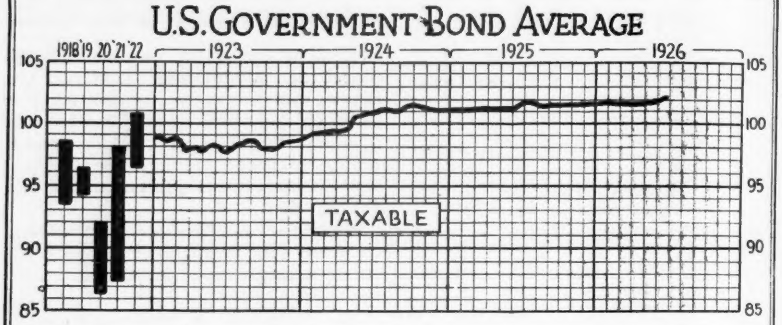
MAGMA COPPER CO.

(*Continued from page* 456)

equivalent to $2.22 on the 245,165 shares then outstanding. Last year the figure was increased to $956,649, or $2.34 on 410,000 shares. The balance available for the stock will be considerably enhanced through the elimination of interest charges on funded and floating debt.

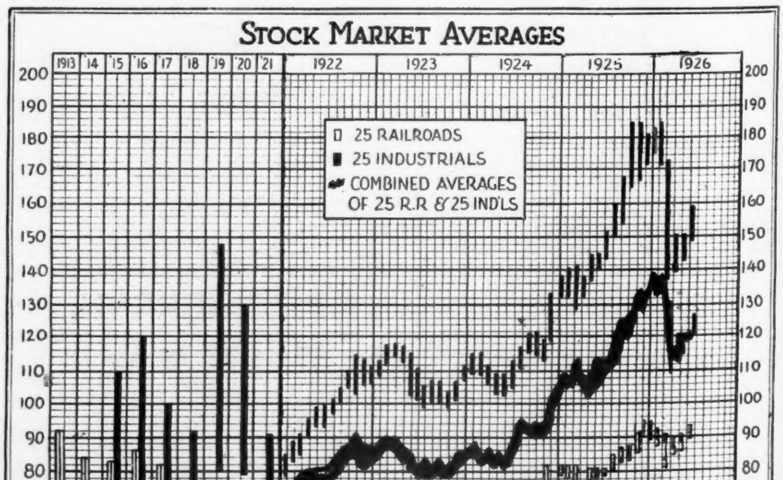
Magma's possibilities marketwise naturally depend in large measure upon how soon copper metal can be established sufficiently above the 14 cent level to permit a wider margin of profit. With its operations so well coordinated and its finances simplified, the company has little to lose and much to gain, not only from a bigger spread between costs and revenues, but also in connection with the surplus capacity as yet unutilized. *At 38 paying $3 dividends, the current yield of almost 8% renders the stock attractive.*





MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Thursday, June 10.	87.79	145.95	111.57	121.82	120.61	1,281,730
Friday, June 11...	87.94	147.21	112.62	122.58	121.28	1,559,770
Saturday, June 12.	87.95	148.61	112.68	123.25	122.18	858,573
Monday, June 14...	87.90	150.13	112.41	124.03	122.64	2,024,136
Tuesday, June 15..	87.83	149.37	112.05	123.92	122.69	1,910,848
Wednesday, June 16	87.76	151.31	112.03	124.36	122.89	2,014,777
Thursday, June 17.	87.73	153.44	112.70	126.20	124.07	2,429,750
Friday, June 18...	87.65	151.92	112.37	126.47	124.13	2,273,612
Saturday, June 19.	87.67	153.33	113.31	125.68	124.35	934,260
Monday, June 21..	87.66	154.03	113.68	126.61	125.12	1,885,267
Tuesday, June 22..	87.72	153.54	113.63	126.70	125.32	1,825,506
Wednesday, June 23	87.79	151.45	113.56	126.12	124.32	1,673,372



TRADE TENDENCIES

(Continued from page 460)

the present time the Steel Corporation is operating at 87% of theoretical capacity.

Iron prices are lower in some districts. Orders have been received in large quantities; and there does not appear to be any abatement as yet. Sales are running ahead of previous totals; and inquiries are increasing in number. The interest displayed by dealers is largely the result of current low prices. Many consumers are covering their requirements for the third quarter.

FERTILIZER

Industry Experiences Depression

In the fertilizer year drawing to a close this month, the industry cannot be said to have enjoyed the same degree of prosperity that obtained during 1925. It is indicated that total tonnage sold will prove to be considerably smaller than last season.

Whereas sales have been in good volume in the North and West, the cotton belt, which is the great fertilizer consuming section, has been a disappointment. Restricted credit, as a result of a bumper cotton crop in the face of a falling market, resulted in curtailed buying and turned a favorable winter into a discouraging spring for many of the companies.

Furthermore, the situation shows no immediate prospects of bettering itself. A second large cotton crop is anticipated, as well as a 5 million bale carryover. Cuba cannot be expected to come into the market as heavily as usual in view of her over-production of sugar and subsequent curtailment of acreage. In fact, export of fertilizers generally, if it follows the trend of our export markets, cannot be counted on to reach a high tonnage.

Despite these developments and prospects, however, prices have been maintained throughout the greater part of the season, the inevitable downward trend not manifesting itself until last month, when heavy stocking became evident in resales. Sulphate of ammonia weakened first, to be followed by nitrate of soda. The scale of prices for this material, recently announced for the coming year, averaged 11 to 15 cents less per 100 than 1925. With the easing of the labor situation in Florida, contemporaneous with the recession of the boom, it is anticipated that phosphate rock prices will also decline.

It is to be hoped that these lowering prices, in some measure, will alleviate the position of the manufacturers of finished goods in contending with a constricted market.

(Please turn to next page)

RAILROAD EQUIPMENT

Situation Improves

Insofar as the locomotive companies are concerned, equipment orders have shown considerable improvement. Orders for the current year to date are well ahead of 1924. This comparison, unfortunately, cannot convey more than moderate encouragement, however, since 1925 was a notoriously slow year for these concerns, as well as the freight car builders. Business with the latter has failed to follow the lead of locomotive buying, although there has been some improvement in this quarter also.

The sustained dullness in freight car demand is based upon factors that are now quite familiar. That is to say, the carriers are applying intensive thought to the problem of loadings and keeping equipment is in such excellent condition that there has not yet developed a need for extensive replacements. Inasmuch as buying was light during most of 1925, the car makers are operating with a rather slender backlog of unfilled orders. Signs of a marked turn for the better are still wanting.

With the locomotive producers, on the other hand, operations have increased to approximately 50% of capacity. While this is not a satisfactory rate, it is a material improvement over previous performance. Moreover, the steady increment of new orders in recent months has brought about expansion in unfilled orders and introduced greater stability. Earnings, accordingly, should tend to show some improvement and production will probably be sustained around prevailing levels during the next few months.

Commodities

COTTON Pending the official government report on July 2nd, speculation as to the size of the crop has been restrained. The prevailing low prices have led to an inadequate export demand, and the menacingly large carryover apparently indicates little other than bearish conclusions. Hence, the crop forecast is looked forward to by those who seek a less dark statistical situation. Unfortunately it appears that condition of the crop is as good this year as last, and acreage planted almost as much. Unless weather conditions alter radically, and weevil emergence becomes more serious than is at present indicated, there can be little doubt that cotton will attain still lower levels. Great interest has been excited by the formation of a Cotton Textile Institute to stimulate a greater range of domestic uses and a large export, but the effects of such activities would not be relevant for present crop. Government report will be made in a new form. One will assume crop size on basis of June 25th condition times acreage, the

second will be based on maximal crop as in 1925 and the third on minimal crop as in 1921. Government forecasts will thus be less hard and fast, and, hence, not be looked forward to too eagerly by speculative interests. An opinion vote is due within a fortnight on the legitimacy of southern delivery on New York contracts. Many critics have held such provisions illegal.

Carryover of 5.75 million bales (including linters) and forecast crop of 15.6 million bales give a sombre tone to the market, although straddles between deliveries shifts the picture at times. Spot centers around 18.55 cents, July, 18.07, October, 16.73, December, 16.68.

WHEAT After a temporary bearish holiday, due to world situation, recent estimates of European crop indicate that exports will play a decisive role in American crop this fall. Hence, the earlier gloom has given way somewhat, but wheat has not yet attained attractive levels. The near deliveries were eagerly bought. Failure of the Haugen Bill, resulted in a three-cent break, however. July certainly looks stronger, and should be watched closely. Market, July, 1.37, September, 1.34, December, 1.36.

CORN It is getting to be an axiom that the corn market can never improve. Apparently, the corn grower has lost hope as the focal point of agrarian discontent is the corn belt, despite attractive hog prices. Certainly at 69 cents for July, 75 cents for September and 77 cents for December, the prospects for as large a planting next year are greatly diminished. Accordingly December will bear watching, as a radical change in corn values is likely to be a feature of the fall and the distant deliveries will reflect such a radical change almost immediately.

SHOULD AUTOMOBILE ACCESSORY STOCKS BE BOUGHT NOW?

(*Continued from page* 446)

fortable financial position has been maintained.

While carburetors form the main product, attempts have been made to broaden the field of activities. An automatic windshield wiper is now on the market. The Stromberg Research Corp., a subsidiary, is constantly engaged in efforts along these lines, and additional products should be developed from time to time to enhance and further stabilize earnings.

On the basis of past record alone, Stromberg would seem entitled to a higher market valuation. The yield of nearly 10%, however, reflects dangers in connection with possible future inroads on the business on the part of motor car manufacturers.

IS OUR BANKING SYSTEM BECOMING DEFECTIVE?

(*Continued from page* 421)

which national banks may consolidate with state banks; authorizes increase of capital by the application of stock dividends; puts a member bank on the same borrowing ratio with a reserve bank as a patron of the former is to it; that is, it enjoys the same modifications of the limit of 10% of its capital, applicable to loans to it as from it; extends somewhat the capacity of a single bank to loan to a single borrower by making exceptions as to what shall be considered a borrower's indebtedness in that connection. The national banks are given an indefinite charter life during good behavior instead of ninety-nine years as formerly, which strengthens them in their trustee and other fiduciary relations, that predicate corporate long life. There are other improvements which I shall not pause to mention.

The Federal Reserve Act is also amended in some minor particulars, and in one major aspect—and that is that the system itself is extended for fifty years after 1934, when its present charter rights expire; thus giving the country assurance that its currency and credit circulatory system will be firmly maintained for near sixty years.

Every proposal embodied in the McFadden bill is constructive of and helpful to the national banks and the Federal Reserve System. Everyone will contribute to the strengthening of the banks to the end that they may maintain themselves fit and strong and impart their vigor to the great system of which they are an integral part. These reforms are of the utmost importance

(*Please turn to page* 492)

Dividends

CHICAGO PNEUMATIC TOOL CO.

Dividend No. 85

A quarterly dividend of one and one-quarter percent has been duly declared on the Common Stock of this Company, payable July 26, 1926 to stockholders of record at the close of business July 15, 1926.

J. G. GRIMSHAW, Treasurer.

New York, June 24, 1926.

(*Continued from page* 490)

to investors individually and to the huge investment fabric of which they are the primary units. Without the Federal Reserve System there could not have been 20,000,000 security investors in America today against a few hundred thousands before the war. Without its deep reservoirs of controlled credit and the adaptation of the flow of life-blood money to the arteries and capillaries of the financial world as needed, there would have been no such wide distribution of securities, nor even the creation of a fraction of the solid physical assets on which they rest.

The expansion of big businesses—the erection of huge and varied physical structures—needing great capital and providing unassailable security could not have been accomplished without a banking system that is its complement in magnitude and strength. Such securities as might have been issued and widely offered without the aid of our improved banking and credit system would have been recurrently imperiled by the panics that used to shake the strongest business concerns and crash many of them. Moreover, the danger that the money of the depositor and investor, piled up from small sums into unimaginable masses, should be centralized, controlled and manipulated for selfish purposes of economic power or accumulated wealth, to his substantial injury and contrary to his desires, is largely obviated, so long as the thousands of national banks are strong and active and the Federal Reserve System is functioning soundly, intelligently and patriotically.

Great power, however, entails great temptations to the possessor and enormous risks to those dependent upon its proper exercise. At another time I shall discuss the broad powers of the Federal Reserve System along with a presentation of some of the dangers that threaten the independence, impartiality and individualism of our banking organizations.

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